

# UTHUNGULU



uThungulu District Municipality  
uThungulu Distrik Munisipaliteit  
uMasipala Wesifunda Waso Thungulu

**Consolidated annual financial statements  
for the year ended 30 June 2012**

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**GENERAL INFORMATION**

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<b>Nature of business and principal activities</b>	Municipality
<b>Chief Financial Officer (CFO)</b>	MC Reddy
<b>Accounting Officer</b>	MH Nkosi
<b>Registered office</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Business address</b>	Uthungulu House Krugerrand, CBD RICHARDS BAY
<b>Postal address</b>	Private Bag X1025 RICHARDS BAY
<b>Bankers</b>	Nedbank Limited
<b>Auditors</b>	Auditor-General of South Africa

**UTHUNGULU DISTRICT MUNICIPALITY**  
**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

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### Abbreviations

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012  
**STATEMENT OF MUNICIPAL MANAGER'S RESPONSIBILITY**

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I am responsible for the preparation of these consolidated annual financial statements, which are set out on pages 4 to 60, in terms of Section 126(1) of the Municipal Finance Management Act (Act no 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as discussed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government determination in accordance with this Act.

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**MH Nkosi**  
**Accounting Officer**

**Richards Bay**  
**28 September 2012**



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF FINANCIAL POSITION**

	Note	Group 2012 R	2011 R Restated	Municipality 2012 R	2011 R Restated
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	2	6,122,117	7,068,924	6,122,117	7,068,924
Accounts receivable from exchange transactions	3	22,969,861	15,504,216	22,969,861	15,504,216
Accounts receivable from non exchange transactions	4	25,055,524	14,561,548	25,055,524	14,561,548
Current portion of long-term receivables	5	34,821	32,745	34,821	32,745
Cash and cash equivalents	6	367,556,324	366,974,767	366,716,903	365,358,441
		<u>421,738,647</u>	<u>404,142,200</u>	<u>420,899,226</u>	<u>402,525,874</u>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	1,050,408,116	885,116,378	1,050,408,116	885,116,378
Intangible assets	8	1,476,684	1,975,850	1,476,684	1,975,850
Investments in municipal entities	9			25,206,796	25,719,814
Long-term receivables	5	495,901	542,439	495,901	542,439
Investment	10	21,000,000	-	21,000,000	-
		<u>1,073,380,701</u>	<u>887,634,667</u>	<u>1,098,587,497</u>	<u>913,354,481</u>
<b>Total Assets</b>		<u>1,495,119,348</u>	<u>1,291,776,867</u>	<u>1,519,486,723</u>	<u>1,315,880,355</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Current portion of long-term liabilities	11	3,735,178	2,547,652	9,327,015	7,451,178
Payables from exchange transactions	12	125,481,694	116,350,042	125,481,694	116,350,042
Consumer deposits	13	8,229,262	7,244,363	8,229,262	7,244,363
Defined benefit obligations	14	757,672	674,258	757,672	674,258
Unspent conditional grants and receipts	15	74,248,965	91,246,495	74,248,965	91,246,495
Current provisions	16	751,981	768,503	751,981	768,503
		<u>213,204,752</u>	<u>218,831,313</u>	<u>218,796,589</u>	<u>223,734,839</u>
<b>Non-Current Liabilities</b>					
Long-term liabilities	11	85,611,710	89,346,888	104,584,204	108,739,410
Defined benefit obligations	14	13,423,263	12,750,483	13,423,263	12,750,483
Provisions	16	69,415,033	65,117,292	69,415,033	65,117,292
		<u>168,450,006</u>	<u>167,214,663</u>	<u>187,422,500</u>	<u>186,607,185</u>
		<u>381,654,758</u>	<u>386,045,976</u>	<u>406,219,089</u>	<u>410,342,024</u>
<b>Total Liabilities</b>		<u>1,495,119,348</u>	<u>1,291,776,867</u>	<u>1,519,486,723</u>	<u>1,315,880,355</u>
<b>Net Assets</b>		<u>(381,654,758)</u>	<u>(386,045,976)</u>	<u>(406,219,089)</u>	<u>(410,342,024)</u>
<b>Accumulated Surplus</b>		<u>1,113,464,590</u>	<u>905,730,891</u>	<u>1,113,267,634</u>	<u>905,538,331</u>
<b>Outside Partner's Interest</b>		<u>196,955</u>	<u>192,560</u>	<u></u>	<u></u>
		<u>1,113,464,590</u>	<u>905,730,891</u>	<u>1,113,267,634</u>	<u>905,538,331</u>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF FINANCIAL PERFORMANCE**

		Group		Municipality	
	Note	2012 R	2011 R Restated	2012 R	2011 R Restated
<b>Revenue</b>					
Service charges	17	48,017,382	41,192,934	48,017,382	41,192,934
Government grants & subsidies	18	533,234,090	386,087,990	533,234,090	386,087,990
Rental income		33,942	38,189	33,942	38,189
Other income	19	2,745,730	7,091,872	8,702,739	12,896,963
Interest received	20	27,087,751	24,296,816	27,037,679	24,205,487
Gains on disposal of assets		-	601,377	-	601,377
<b>Total Revenue</b>		<b>611,118,895</b>	<b>459,309,178</b>	<b>617,025,832</b>	<b>465,022,940</b>
<b>Expenditure</b>					
Employee related costs	21	88,084,985	86,622,796	88,084,985	86,622,796
Remuneration of councillors	22	7,869,721	5,491,850	7,869,721	5,491,850
Debt Impairment	3	8,023,573	6,436,353	8,023,573	6,436,353
Depreciation, amortisation & Impairment	23	36,542,829	40,060,828	36,542,829	40,060,828
Repairs and maintenance		34,926,111	34,702,638	34,926,111	34,702,638
Finance costs	24	5,962,760	6,956,310	11,900,614	12,698,920
Bulk purchases	25	29,204,363	24,470,386	29,204,363	24,470,386
Contracted services		63,004,898	60,161,496	63,004,898	60,161,496
Grants and subsidies paid	26	9,244,434	6,031,173	9,244,434	6,031,173
Loss on disposal of assets		419,223	-	419,223	-
General expenses	27	119,800,542	94,698,656	119,800,542	94,698,631
<b>Total expenditure</b>		<b>(403,083,439)</b>	<b>(365,632,486)</b>	<b>(409,021,293)</b>	<b>(371,375,071)</b>
<b>Surplus for the year</b>		<b>208,035,456</b>	<b>93,676,692</b>	<b>208,004,539</b>	<b>93,647,869</b>
Outside Partner's interest		(30,917)	(28,823)	-	-
<b>Surplus for the year attributable to the municipality</b>		<b>208,004,539</b>	<b>93,647,869</b>	<b>208,004,539</b>	<b>93,647,869</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**STATEMENT OF CHANGES IN NET ASSETS**

	Note	Accumulated surplus R	Outside Partners Interest R	Total R
<b>Group</b>				
<b>Balance at 01 July 2010</b>		<b>803,235,002</b>	<b>186,864</b>	<b>803,421,866</b>
<i>Changes in net assets</i>				
<i>Prior Year Adjustments</i>	37	9,904,467	-	9,904,467
<i>- depreciation pertaining to fully depreciated assets</i>				
<i>Fair Valuation of assets</i>	37	228,680	-	228,680
<i>Net Income/(losses) recognised directly in net assets</i>		10,133,147	-	10,133,147
<i>Surplus for the year - restated</i>		93,647,869	28,823	93,676,692
<i>Total recognised income and expenses for the year</i>		103,781,016	28,823	103,809,839
<i>Distribution by municipal entity</i>			(23,127)	(23,127)
<i>Prior Year Adjustments - stale cheques</i>		(1,064,297)	-	(1,064,297)
<i>Changes in accounting estimates</i>	37	(413,390)	-	(413,390)
<i>Total changes</i>		102,303,329	5,696	102,309,025
<b>Balance at 01 July 2011 - restated</b>		<b>905,538,331</b>	<b>192,560</b>	<b>905,730,891</b>
<i>Changes in net assets</i>				
<i>Surplus for the year</i>		208,004,539	30,917	208,035,456
<i>Distribution by municipal entity</i>			(26,521)	(26,521)
<i>Changes in accounting estimates</i>		(275,236)	-	(275,236)
<i>Total changes</i>		207,729,303	4,396	207,733,699
<b>Balance as at 30 June 2012</b>		<b>1,113,267,634</b>	<b>196,955</b>	<b>1,113,464,590</b>
<b>Municipality</b>				
<b>Balance at 01 July 2010</b>		<b>803,235,002</b>	<b>-</b>	<b>803,235,002</b>
<i>Changes in net assets</i>				
<i>Prior Year Adjustments</i>	37	9,904,467	-	9,904,467
<i>- depreciation pertaining to fully depreciated assets</i>				
<i>Fair Valuation of assets</i>	37	228,680	-	228,680
<i>Net Income/(losses) recognised directly in net assets</i>		10,133,147	-	10,133,147
<i>Surplus for the year - restated</i>		93,647,869	-	93,647,869
<i>Total recognised income and expenses for the year</i>		103,781,016	-	103,781,016
<i>Prior Year Adjustments - stale cheques</i>		(1,064,297)	-	(1,064,297)
<i>Changes in accounting estimates</i>	37	(413,390)	-	(413,390)
<i>Total changes</i>		102,303,329	-	102,303,329
<b>Balance at 01 July 2011 - restated</b>		<b>905,538,331</b>	<b>-</b>	<b>905,538,331</b>
<i>Changes in net assets</i>				
<i>Surplus for the year</i>		208,004,539	-	208,004,539
<i>Changes in accounting estimates</i>		(275,236)	-	(275,236)
<i>Total changes</i>		207,729,303	-	207,729,303
<b>Balance as at 30 June 2012</b>		<b>1,113,267,634</b>	<b>-</b>	<b>1,113,267,634</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**CASH FLOW STATEMENT**

Figures in Rand	Note	Group 2012 R	2011 R Restated	Municipality 2012 R	2011 R Restated
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from consumers		34,373,825	51,649,102	40,330,834	57,404,294
Grants		511,237,598	397,522,496	511,237,598	397,522,496
Interest income		27,087,751	24,246,918	27,037,679	24,205,487
		<u>572,699,174</u>	<u>473,418,516</u>	<u>578,606,111</u>	<u>479,132,277</u>
<b>Payments</b>					
Employee costs		(95,954,706)	(92,114,646)	(95,954,706)	(92,114,646)
Suppliers		(257,890,382)	(180,038,653)	(257,863,861)	(180,015,497)
Finance costs		(5,962,760)	(6,956,310)	(11,900,614)	(12,698,920)
		<u>(359,807,848)</u>	<u>(279,109,609)</u>	<u>(365,719,181)</u>	<u>(284,829,063)</u>
<b>Net cash flows from operating activities</b>	28	<u>212,891,326</u>	<u>194,308,907</u>	<u>212,886,930</u>	<u>194,303,214</u>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(188,821,467)	(108,903,556)	(188,821,467)	(108,903,556)
Proceeds from sale of property, plant and equipment		174,600	1,319,195	174,600	1,319,195
Purchase of other intangible assets		(159,712)	(203,524)	(159,712)	(203,524)
Movement in investments				513,018	(878,754)
(Increase)/Decrease in non-current investments		(21,000,000)	18,804,415	(21,000,000)	18,804,415
Decrease in non-current receivables		44,462	317,322	44,462	317,322
<b>Net cash from investing activities</b>		<u>(209,762,117)</u>	<u>(88,666,148)</u>	<u>(209,249,099)</u>	<u>(89,544,902)</u>
<b>Cash flows from financing activities</b>					
<b>Net movement in other financial liabilities</b>					
Repayment of long-term liabilities		(2,547,652)	(2,281,557)	(2,279,369)	(1,481,062)
<b>Net cash from financing activities</b>		<u>(2,547,652)</u>	<u>(2,281,557)</u>	<u>(2,279,369)</u>	<u>(1,481,062)</u>
<b>Net (decrease) / Increase in cash and cash equivalents</b>		<b>581,557</b>	<b>103,361,202</b>	<b>1,358,462</b>	<b>103,277,250</b>
Cash and cash equivalents at the beginning of the year		366,974,767	263,613,565	365,358,441	262,081,191
<b>Cash and cash equivalents at the end of the year</b>	6	<u>367,556,324</u>	<u>366,974,767</u>	<u>366,716,903</u>	<u>365,358,441</u>

## **ACCOUNTING POLICIES**

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### **1. Presentation of Consolidated Annual Financial Statements**

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The consolidated annual financial statements have also been prepared on the assumption that the municipality will continue to operate as a going concern in the foreseeable future.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are disclosed below.

#### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

##### **1.1.1 Provisions**

Management determined an estimate for provisions raised based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Non - Current and Current Provisions.

##### **1.1.2 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective.

###### **GRAP 18 - Segmental reporting**

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the municipality's historical performance and to identify the resources allocated to support the major activities of the entity.

###### **GRAP 20 - Related party disclosures**

The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure. No significant impact on the financial statements of the Municipality is expected.

###### **GRAP 25 - Employee benefits**

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.

###### **GRAP 105 - Transfer of functions between entities under common control**

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions.

###### **GRAP 106 - Transfer of functions between entities not under common control**

## **ACCOUNTING POLICIES**

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### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future.

#### **GRAP 107 - Mergers**

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future.

The following GRAP standards have been issued and are effective for the period commencing on or after 1 April 2012 and will be applied in the 2012/2013 financial year:

#### **GRAP 21 - Impairment of Non-cash generating assets**

The standard determines the requirements and provides additional guidance on how to impair non-cash generating assets, being assets that are not held to generate any sort of commercial benefit. In particular, it provides guidance on how to determine an asset's recoverable service amount in the absence of any future cash flows.

#### **GRAP 23 - Revenue from Non-exchange transactions**

This standard determines the requirements and provides additional guidance on how to account for revenue from non-exchange transactions. In particular, it requires the entity to recognise revenue from grants received, to the extent that there are no further conditions attached to the grant that give rise to an obligation to repay. Most of the grants received by the Municipality are conditional grants and revenue is currently only recognised when the conditions associated with the respective grants are met and therefore it is not expected to have a significant impact on the financial statements when it becomes effective.

#### **GRAP 24 - Presentation of Budget information in the financial statements**

This standard determines the specific requirements and provides additional guidance on how to present a comparison between budgeted and actual amounts in the financial statements, as required by GRAP 1. This is expected to add significantly to the level of disclosures currently being provided in note 36.

#### **GRAP 26 - Impairment of Cash generating assets**

This standard determines the requirements and provides additional guidance on how to impair cash generating assets, being assets that are expected to generate a commercial benefit. The standard requires a similar treatment to that currently required by IAS 36 and as a result, the impact of this standard becoming effective is expected to be limited.

#### **GRAP 104 - Financial Instruments**

This standard will introduce some relatively significant changes when compared to IAS 39, especially in the way financial assets are classified and treated. Notwithstanding the aforementioned classification changes, the financial impact of this standard being applied is expected to be limited.

### **1.1.3 Useful lives of property, plant and equipment**

As described in accounting policies 1.6 & 1.7 the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets become available for use. The useful lives and residual values of the assets are based on industry knowledge and reviewed annually.

## **ACCOUNTING POLICIES**

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### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### **1.1.4 Defined benefit plan liabilities**

As described in accounting policy 1.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post retirement health benefit obligations and long service awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in note 14 to the financial statements.

#### **1.1.5 Revenue recognition**

Accounting Policy 1.11 on Revenue from Exchange Transactions and Accounting Policy 1.12 on Revenue from Non - Exchange Transactions describes the conditions under which revenue is recorded by the management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9; Revenue from Exchange Transactions and GAMAP 9 Revenue, as far as Revenue from Non Exchange Transactions are concerned. In particular, when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.1.6 Financial assets and liabilities**

The classification of financial assets and liabilities, into categories, is based on management's educated judgement.

#### **1.1.7 Changes in accounting policies**

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of a change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

### **1.2 Consolidation**

#### **Basis of consolidation**

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a Municipal Entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minorities proportion of the fair values of the assets and liabilities recognised.

The results of Municipal Entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of Municipal Entities to bring the accounting policies used into line with those used by the Municipality and other Municipal Entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

## **ACCOUNTING POLICIES**

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### **1.3 Financial Instruments**

#### **1.3.1 Financial assets classification**

A financial asset is any asset that is cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions etc.)
- Long Term Receivables
- Accounts receivable from exchange transactions
- Accounts receivable from non exchange transactions
- Short Term Investment Deposits
- Cash and Cash Equivalents

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Type of Financial Asset	Classification in terms of IAS 39.09
Short Term Investment Deposit- Call	Held to Maturity Investments
Cash and Cash Equivalents	Loans and Receivables
Finance Lease Receivables	Loans and Receivables
Long Term Receivables	Loans and Receivables
Accounts receivable from exchange transactions	Loans and Receivables
Accounts receivable from non exchange transactions	Loans and Receivables
Investments in Fixed Deposits	Held to Maturity Investments

#### **Loans and Receivables**

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non- current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment (Refer to note 3).

#### **Held To Maturity Investments**

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of 4 months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Loans and Receivables.

#### **1.3.2 Financial liabilities classification**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long term liabilities
- Payables from exchange transactions
- Bank Overdraft
- Short Term Loans
- Current Portion of Long Term Liabilities
- Consumer Deposits

There is one main category of financial liabilities determined by their classification. Financial Liabilities may be measured at:

- (i) Fair Value through profit or Loss; or
- (ii) Amortised Cost using the effective interest method.



## **ACCOUNTING POLICIES**

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### **1.3 Financial Instruments (continued)**

Any other financial liabilities are classified as "other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the financial liabilities of the municipality are all classified as "other financial liabilities".

#### **1.3.3 Initial and subsequent measurement**

##### **Financial Assets**

Held to Maturity investments, loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest income recognised on an effective yield basis.

##### **Financial Liabilities**

Financial Liabilities are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rate method.

##### **Impairment of Financial Assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets are impaired. Financial assets are impaired where there is objective evidence of impairment, (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially accounts receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debts based on past default experience of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified as irrecoverable.

The carrying amounts of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an impairment account. Subsequent recoveries of amounts previously written off are credited against the impairment account. Changes in the carrying amount of the impairment account are recognised in the Statement of Financial Performance.

##### **Derecognition of Financial Assets**

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### **Derecognition of Financial Liabilities**

The municipality derecognises financial liabilities only when, the municipality's obligations are discharged, cancelled or they expire.

#### **1.3.4 Investment in municipal entities**

In the municipality's annual financial statements, investments in municipal entities are carried at fair value less any accumulated impairment at the reporting date.

## **ACCOUNTING POLICIES**

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### **1.4 Employee benefits**

#### **1.4.1 Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual, included under current liabilities.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position.

#### **1.4.2 Defined contribution plans**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those funds. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

#### **1.4.3 Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

##### **Post-retirement health care benefits**

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

##### **Long-service allowance**

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

##### **Defined benefit plans**

The municipality contributes to various defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 14 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the discounted cash method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

## **ACCOUNTING POLICIES**

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### **1.5 Provisions**

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by consulting engineers.

### **1.6 Property, plant, equipment**

Property, plant, equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one financial period.

#### Initial Recognition

The cost of an item of property, plant, equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant, equipment is initially recognised at cost on its acquisition date or in the case of assets acquired at nil or nominal consideration the deemed cost, being the fair value of the asset at acquisition date.

The cost of an item of property, plant, equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant, equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant, equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant, equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant, equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant, equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant, equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

## **ACCOUNTING POLICIES**

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### **1.6 Property, plant, equipment (continued)**

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant, equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant, equipment are accounted for as property, plant, equipment.

#### Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity for future economic benefits associated with the asset.

Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequent measurement of all property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. The municipality does not recognise in the carrying amount of an item of property, plant and equipment the cost of day to day servicing of the item.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

#### Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation charge for each period shall be recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Land, with the exception of landfill sites and cemetery, is not depreciated as it is regarded as having an infinite life. If the cost of the land includes the cost of site dismantlement, removal and restoration, the portion of the land asset is depreciated over the period of benefits or service potential, obtained by incurring those costs.

Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the asset. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

## ACCOUNTING POLICIES

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### 1.6 Property, plant, equipment (continued)

The useful lives of items of property, plant, equipment have been assessed as follows:

Item	Expected useful life
<b>Land &amp; Building</b>	
• Permanent	30 years
• Other Buildings	30 years
<b>Plant and Equipment</b>	
• Weed Eater	2 years
• Lawn Mower	2 years
• Other	5 years
• Skid Mounted Fire Response	15 years
<b>Furniture</b>	10 years
<b>Computer Equipment</b>	5 years
<b>Infrastructure Electricity</b>	
• Electrical Kiosk	15 years
• Electrical Meters	15 years
• Street Lights	15 years
• Electrical Lines and Cables	40 years
• Electrical Switchgear	40 years
• Power Transformers	40 years
<b>Infrastructure - Plant &amp; Equipment</b>	
• Heavy Duty Infrastructure Pumps	15 years
• Unspecified Infrastructure Assets	15 years
• Standby Generators Sets - Water & Sewerage Camps	15 years
<b>Infrastructure Sewerage Services</b>	
• Sewerage Containment	50 years
• Sewerage Network	50 years
• Sewerage Purification	50 years
<b>Infrastructure Solid Waste Cell Services</b>	
• Solid Waste Cell - Landfill	7 years
• Cemetery	15 years
<b>Infrastructure Water Services</b>	
• Small Schemes	20 years
• Water Abstraction	20 years
• Water Network	20 years
• Water Purification	20 years
• Water Storage	50 years
<b>Motor Vehicles</b>	
• Bakkie, LDV, Sedan & Tanker	7 years
• Truck	7 years
• Trailer & Caravan	5 years
• Forklift	5 years
• Tractors	15 years
<b>Equipment</b>	
• Office Equipment	5 years

## **ACCOUNTING POLICIES**

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### **1.6 Property, plant, equipment (continued)**

#### Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets and are shown at cost less accumulated depreciation and accumulated impairment.

Derecognition of Property, Plant and Equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition is included in surplus or deficit when the item is derecognised.

Gains or losses, calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds, are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### **1.7 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

#### Initial Recognition

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset;
- the expenditure attributable to the asset during its development can be measured reliably.

#### Subsequent Measurement, Amortisation and Impairment

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.



## **ACCOUNTING POLICIES**

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### **1.7 Intangible assets (continued)**

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

#### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of financial Performance.

### **1.8 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **1.8.1 Finance leases -The municipality as a lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the future minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

#### **1.8.2 Operating leases - The municipality as a lessee**

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance over the period of the lease.

### **1.9 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

## **ACCOUNTING POLICIES**

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### **1.9 Inventories (continued)**

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.10 Tax**

Normal Tax Expense:

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

Value Added Tax (VAT):

The municipality accounts for VAT on the accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

### **1.11 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.



## **ACCOUNTING POLICIES**

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### **1.11 Revenue from exchange transactions (continued)**

Service charges relating to water are based on consumption. Meters are read on a monthly basis and when the meter is not read provisional estimates are made and based on those readings the revenue is invoiced monthly and recognised. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse are recognised on a monthly basis in arrears and on an accrual basis by applying the approved tariff to each consumer that makes use of the landfill site.

Service charges from sanitation are raised on a monthly basis in accordance with the approved tariffs.

Interest and rentals are recognised on a time proportion basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items are brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised.

### **1.12 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### **Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **Grants In Aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## **ACCOUNTING POLICIES**

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### **1.13 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.6 and in certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.14 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). All unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.15 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **ACCOUNTING POLICIES**

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### **1.16 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.18 Events after report date**

Events after the reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

### **1.19 Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

### **1.20 Commitments**

Items are classified as commitments where the Municipality commits itself to future transactions that will result in the future outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure note 29, for approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.

### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### **1.22 Currency of presentation**

These consolidated annual financial statements are presented in South African Rands.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>2. Inventories</b>				
Consumables and maintenance materials	5,861,438	6,817,976	5,861,438	6,817,976
Water	260,679	250,948	260,679	250,948
	<u>6,122,117</u>	<u>7,068,924</u>	<u>6,122,117</u>	<u>7,068,924</u>
<b>3. Accounts receivable from exchange transactions</b>				
<b>VAT receivable</b>	<u>10,111,601</u>	<u>5,275,361</u>	<u>10,111,601</u>	<u>5,275,361</u>
<b>Consumer debtors</b>				
<b>Gross balance</b>				
Water	32,556,067	26,609,883	32,556,067	26,609,883
Sanitation	3,568,413	3,223,297	3,568,413	3,223,297
Solid waste	2,010,600	1,503,517	2,010,600	1,503,517
	<u>38,135,080</u>	<u>31,336,697</u>	<u>38,135,080</u>	<u>31,336,697</u>
<b>Less: Provision for debt impairment</b>				
Water	(21,595,886)	(18,352,305)	(21,595,886)	(18,352,305)
Sanitation	(2,674,973)	(2,185,916)	(2,674,973)	(2,185,916)
Solid waste	(1,005,961)	(569,621)	(1,005,961)	(569,621)
	<u>(25,276,820)</u>	<u>(21,107,842)</u>	<u>(25,276,820)</u>	<u>(21,107,842)</u>
<b>Net balance</b>				
Water	10,960,181	8,257,578	10,960,181	8,257,578
Sanitation	893,440	1,037,381	893,440	1,037,381
Solid waste	1,004,639	933,896	1,004,639	933,896
	<u>12,858,260</u>	<u>10,228,855</u>	<u>12,858,260</u>	<u>10,228,855</u>
<b>Summary of debtors by service type</b>				
<b>Water</b>				
Current (0 - 30 days)	5,592,734	5,813,248	5,592,734	5,813,248
31 - 60 days	3,304,459	2,582,025	3,304,459	2,582,025
61 - 90 days	788,897	1,551,187	788,897	1,551,187
91 - 120 days	1,405,836	1,270,673	1,405,836	1,270,673
> 120 days	21,464,140	15,392,750	21,464,140	15,392,750
Less: Impairment	(21,595,885)	(18,352,305)	(21,595,885)	(18,352,305)
	<u>10,960,181</u>	<u>8,257,578</u>	<u>10,960,181</u>	<u>8,257,578</u>
<b>Sanitation</b>				
Current (0 - 30 days)	318,586	(26,072)	318,586	(26,072)
31 - 60 days	200,751	213,878	200,751	213,878
61 - 90 days	139,190	136,574	139,190	136,574
91 - 120 days	145,716	169,765	145,716	169,765
> 120 days	2,764,170	2,729,153	2,764,170	2,729,153
Less: Impairment	(2,674,973)	(2,185,917)	(2,674,973)	(2,185,917)
	<u>893,440</u>	<u>1,037,381</u>	<u>893,440</u>	<u>1,037,381</u>
<b>Solid waste</b>				
Current (0 - 30 days)	935,732	734,296	935,732	734,296
31 - 60 days	429,504	141,424	429,504	141,424
61 - 90 days	117,059	86,218	117,059	86,218
91 - 120 days	154,140	71,848	154,140	71,848
> 120 days	374,165	469,730	374,165	469,730
Less: Impairment	(1,005,961)	(569,620)	(1,005,961)	(569,620)
	<u>1,004,639</u>	<u>933,896</u>	<u>1,004,639</u>	<u>933,896</u>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group	Municipality		
	2012 R	2011 R	2012 R	2011 R
<b>3. Accounts receivable from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Domestic Consumers</b>				
Current (0 - 30 days)	3,515,744	4,005,710	3,515,744	4,005,710
31 - 60 days	1,936,377	1,511,225	1,936,377	1,511,225
61 - 90 days	718,936	927,413	718,936	927,413
91 - 120 days	1,130,351	764,454	1,130,351	764,454
> 120 days	21,381,944	14,885,853	21,381,944	14,885,853
	<u>28,683,352</u>	<u>22,094,655</u>	<u>28,683,352</u>	<u>22,094,655</u>
Less: Provision for debt impairment	<u>(23,974,016)</u>	<u>(19,833,086)</u>	<u>(23,974,016)</u>	<u>(19,833,086)</u>
	<u>4,709,336</u>	<u>2,261,569</u>	<u>4,709,336</u>	<u>2,261,569</u>
<b>Industrial/Commercial</b>				
Current (0 - 30 days)	1,680,617	1,385,154	1,680,617	1,385,154
31 - 60 days	984,159	717,405	984,159	717,405
61 - 90 days	231,881	166,003	231,881	166,003
91 - 120 days	308,707	153,193	308,707	153,193
> 120 days	1,747,954	2,064,899	1,747,954	2,064,899
	<u>4,953,318</u>	<u>4,486,654</u>	<u>4,953,318</u>	<u>4,486,654</u>
Less: Provision for debt impairment	<u>(1,302,804)</u>	<u>(1,274,752)</u>	<u>(1,302,804)</u>	<u>(1,274,752)</u>
	<u>3,650,514</u>	<u>3,211,902</u>	<u>3,650,514</u>	<u>3,211,902</u>
<b>National and Provincial government</b>				
Current (0 - 30 days)	1,650,691	1,130,608	1,650,691	1,130,608
31 - 60 days	1,014,179	708,697	1,014,179	708,697
61 - 90 days	94,330	682,395	94,330	682,395
91 - 120 days	266,635	592,806	266,635	592,806
> 120 days	1,472,576	1,640,881	1,472,576	1,640,881
	<u>4,498,411</u>	<u>4,755,387</u>	<u>4,498,411</u>	<u>4,755,387</u>
<b>Total</b>				
Current (0 - 30 days)	6,847,051	6,521,473	6,847,051	6,521,473
31 - 60 days	3,934,715	2,937,321	3,934,715	2,937,321
61 - 90 days	1,045,147	1,775,811	1,045,147	1,775,811
91 - 120 days	1,705,692	1,510,454	1,705,692	1,510,454
> 120 days	24,602,475	18,591,634	24,602,475	18,591,634
	<u>38,135,080</u>	<u>31,336,693</u>	<u>38,135,080</u>	<u>31,336,693</u>
Less: Provision for debt impairment	<u>(25,276,820)</u>	<u>(21,107,838)</u>	<u>(25,276,820)</u>	<u>(21,107,838)</u>
	<u>12,858,260</u>	<u>10,228,855</u>	<u>12,858,260</u>	<u>10,228,855</u>
<b>Reconciliation of debt impairment provision</b>				
Balance at beginning of the year	(21,107,842)	(17,104,095)	(21,107,842)	(17,104,095)
Contributions to provisions	(8,023,573)	(6,436,353)	(8,023,573)	(6,436,353)
Debt impairment written off against provision	3,854,595	2,432,606	3,854,595	2,432,606
	<u>(25,276,820)</u>	<u>(21,107,842)</u>	<u>(25,276,820)</u>	<u>(21,107,842)</u>
In the determination of the amounts deemed to be doubtful at financial year end, an analysis of each debtor is undertaken. The debtors are classified into one of three categories.				
Category A	Regular payers, government accounts, consumers with amounts owing not older than 60 days.			
Category B	Irregular payers			
Category C	Indigent customers, customers with debts older than 60 days with no payments made within the last 6 months and inactive accounts.			
The value of the provision is determined for the detailed categories as follows:				
Category A	0% of consumer's total debt			
Category B	50% of consumer's debt less or equal to 180 days			
	100% of consumer's debt > than 180 days			
Category C	100% of consumer's total debt			
	<u>22,969,861</u>	<u>15,504,216</u>	<u>22,969,861</u>	<u>15,504,216</u>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>4. Accounts receivable from non exchange transactions</b>				
Sundry debtors	13,483,190	8,233,954	13,483,190	8,233,954
Deposits	3,396,102	3,029,710	3,396,102	3,029,710
Umhlathuze municipality - soccer stadium	8,176,232	3,297,884	8,176,232	3,297,884
	<u>25,055,524</u>	<u>14,561,548</u>	<u>25,055,524</u>	<u>14,561,548</u>
<b>5. Long-term receivables</b>				
Staff recoverable bursaries	20,314	30,253	20,314	30,253
Staff home loans	475,587	512,186	475,587	512,186
<b>Non - current assets</b>	<u>495,901</u>	<u>542,439</u>	<u>495,901</u>	<u>542,439</u>
Non-current assets	495,901	542,439	495,901	542,439
Current portion of long-term receivables	34,821	32,745	34,821	32,745
	<u>530,722</u>	<u>575,184</u>	<u>530,722</u>	<u>575,184</u>

**Staff home loans**

Housing loans were granted to qualifying staff prior to 1 July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with the home loan agreements.

**6. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	3,800	3,200	3,800	3,200
Bank balances	87,552,524	46,971,567	86,713,103	45,355,241
Call Investments deposits	280,000,000	320,000,000	280,000,000	320,000,000
	<u>367,556,324</u>	<u>366,974,767</u>	<u>366,716,903</u>	<u>365,358,441</u>

Call investment deposits portfolio is detailed below:

Financial Institution	Maturity Date	Investment
NEDBANK	CALL	20,000,000
NEDBANK	06/08/2012	10,000,000
STANDARD	09/07/2012	25,000,000
STANDARD	17/07/2012	15,000,000
STANDARD	21/08/2012	10,000,000
STANDARD	30/08/2012	20,000,000
STANDARD	10/09/2012	15,000,000
FIRST NATIONAL BANK	06/07/2012	20,000,000
FIRST NATIONAL BANK	13/07/2012	10,000,000
FIRST NATIONAL BANK	27/07/2012	40,000,000
FIRST NATIONAL BANK	01/08/2012	10,000,000
FIRST NATIONAL BANK	08/08/2012	25,000,000
FIRST NATIONAL BANK	04/09/2012	15,000,000
FIRST NATIONAL BANK	28/09/2012	20,000,000
INVESTEC	02/07/2012	10,000,000
INVESTEC	06/07/2012	15,000,000
		<u>280,000,000</u>

An average interest rate of 5.646% (2011 - 5.645 %) was received on investments placed for the financial year.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>The municipality and its entities have the following bank accounts:-</b>				
<b>Uthungulu District Municipality</b>				
<b>Primary Account</b>				
- Bank			Nedbank - Richards Bay	
- Account Number			145 408 8885	
- Opening balance			R 54 994 081.93	
- Closing balance			R 112 039 895.09	
<b>Other Accounts</b>				
- Bank			Nedbank - Richards Bay	
- Account Number			145 408 8893	
- Opening balance			R 1 545 345.96	
- Closing balance			R 1 911 924.45	
- Bank			Nedbank - Richards Bay	
- Account Number			145 408 9016	
- Opening balance			R 0.00	
- Closing balance			R 0.00	
- Bank			Nedbank - Richards Bay	
- Account Number			145 408 8907	
- Opening balance			R 95 905.47	
- Closing balance			R 103 302.44	
- Bank			Nedbank - Richards Bay	
- Account Number			145 409 4141	
- Opening balance			R 331 354.90	
- Closing balance			R 343 938.81	
<b>Uthungulu Financing Partnership</b>				
- Bank			Nedbank - Johannesburg	
- Account Number			1979373671	
- Opening balance			R 351 645.00	
- Closing balance			R 309 259.00	
<b>Uthungulu House Development Trust</b>				
- Bank			Nedbank - Johannesburg	
- Account Number			1979373663	
- Opening balance			R 1 233 444.00	
- Closing balance			R 530 162.00	

**Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:**

**Consolidated cash book and bank balances as at 30 June 2012**

Cash book balance at the beginning of year	46,971,567	23,610,368	45,355,241	22,077,997
Cash book balance at the end of year	87,552,524	46,971,567	86,713,103	45,355,241
Bank statement balance at the beginning of year	58,551,777	33,748,622	56,966,688	33,748,622
Bank statement balance at the end of year	115,238,482	58,551,777	114,399,061	56,966,688

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**7. Property, plant and equipment**

Group	2012			2011		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Buildings	53,149,498	(7,541,323)	45,608,175	52,173,616	(5,824,493)	46,349,123
Land	12,474,983	-	12,474,983	12,474,983	-	12,474,983
Infrastructure - Under construction	422,574,208	-	422,574,208	302,466,888	-	302,466,888
Infrastructure	713,086,975	(166,364,975)	546,722,000	636,018,292	(136,244,807)	499,773,485
Other assets - assets under construction	6,161,963	-	6,161,963	5,002,007	-	5,002,007
Other assets	30,063,347	(13,196,560)	16,866,787	28,706,445	(9,656,553)	19,049,892
<b>Total</b>	<b>1,237,510,974</b>	<b>(187,102,858)</b>	<b>1,050,408,116</b>	<b>1,036,842,231</b>	<b>(151,725,853)</b>	<b>885,116,378</b>

**Municipality**

Group	2012			2011		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Buildings	53,149,498	(7,541,323)	45,608,175	52,173,616	(5,824,493)	46,349,123
Land	12,474,983	-	12,474,983	12,474,983	-	12,474,983
Infrastructure - Under construction	422,574,208	-	422,574,208	302,466,888	-	302,466,888
Infrastructure	713,086,975	(166,364,975)	546,722,000	636,018,292	(136,244,807)	499,773,485
Other assets - assets under construction	6,161,963	-	6,161,963	5,002,007	-	5,002,007
Other assets	30,063,347	(13,196,560)	16,866,787	28,706,445	(9,656,553)	19,049,892
<b>Total</b>	<b>1,237,510,974</b>	<b>(187,102,858)</b>	<b>1,050,408,116</b>	<b>1,036,842,231</b>	<b>(151,725,853)</b>	<b>885,116,378</b>

**Reconciliation of property, plant and equipment - 2012**

Group	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Buildings	46,349,123	975,882	-	-	(1,716,830)	-	-	45,608,175
Land	12,474,983	-	-	-	-	-	-	12,474,983
Infrastructure - Under construction	302,466,888	196,954,815	-	(76,847,495)	-	-	-	422,574,208
Infrastructure	499,773,485	221,189	-	76,847,495	(30,683,861)	-	563,692	546,722,000
Other assets - assets under construction	5,002,007	1,159,956	-	-	-	-	-	6,161,963
Other assets	19,049,892	2,457,671	(593,823)	-	(3,889,776)	(157,177)	-	16,866,787
<b>Total</b>	<b>885,116,378</b>	<b>201,769,513</b>	<b>(593,823)</b>	<b>-</b>	<b>(36,290,467)</b>	<b>(157,177)</b>	<b>563,692</b>	<b>1,050,408,116</b>

Buildings with an original cost value of R9 550 000 are subject to a finance lease as disclosed in note 11.



**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**7. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2012**

<b>Municipality</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Impairment reversal</b>	<b>Total</b>
Buildings	46,349,123	975,882	-	-	(1,716,830)	-	-	45,608,175
Land	12,474,983	-	-	-	-	-	-	12,474,983
Infrastructure - Under construction	302,466,888	19,694,815	-	(76,847,495)	-	-	-	422,574,208
Infrastructure	499,773,485	221,189	-	76,847,495	(30,683,861)	-	563,692	546,722,000
Other assets - assets under construction	5,002,007	1,159,956	-	-	-	-	-	6,161,963
Other assets	19,049,892	2,457,671	(593,823)	-	(3,889,776)	(157,177)	-	16,866,787
<b>Total</b>	<b>885,116,378</b>	<b>201,769,513</b>	<b>(593,823)</b>	<b>-</b>	<b>(36,290,467)</b>	<b>(157,177)</b>	<b>563,692</b>	<b>1,050,408,116</b>

Buildings with an original cost value of R9 550 000 are subject to a finance lease as disclosed in note 11.

**Reconciliation of property, plant and equipment - 2011 restated**

<b>Group</b>	<b>Opening Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Depreciation</b>	<b>Impairment loss</b>	<b>Impairment reversal</b>	<b>Total</b>
Buildings	48,315,516	-	-	-	(1,966,393)	-	-	46,349,123
Land	12,474,983	-	-	-	-	-	-	12,474,983
Infrastructure - Under construction	222,460,729	110,576,379	-	(30,570,220)	-	-	-	302,466,888
Infrastructure	502,003,586	-	-	30,570,220	(31,261,530)	(1,538,791)	-	499,773,485
Other assets - assets under construction	743,220	4,258,787	-	-	-	-	-	5,002,007
Other assets	22,507,683	1,940,435	(717,818)	-	(4,680,408)	-	-	19,049,892
<b>Total</b>	<b>808,505,717</b>	<b>116,775,601</b>	<b>(717,818)</b>	<b>-</b>	<b>(37,908,331)</b>	<b>(1,538,791)</b>	<b>-</b>	<b>885,116,378</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**7. Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2011 restated

	Opening Balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Municipality								
Buildings	48,315,516	-	-	-	(1,966,393)	-	-	46,349,123
Land	12,474,983	-	-	-	-	-	-	12,474,983
Infrastructure - Under construction	222,460,729	110,576,379	-	(30,570,220)	-	-	-	302,466,888
Infrastructure	502,003,586	-	-	30,570,220	(31,261,530)	(1,538,791)	-	499,773,485
Other assets - assets under construction	743,220	4,258,787	-	-	-	-	-	5,002,007
Other assets	22,507,683	1,940,435	(717,818)	-	(4,680,408)	-	-	19,049,892
<b>Total</b>	<b>808,505,717</b>	<b>116,775,601</b>	<b>(717,818)</b>	<b>-</b>	<b>(37,908,331)</b>	<b>(1,538,791)</b>	<b>-</b>	<b>885,116,378</b>

A register containing the information required by section 63 of the Municipal Finance Management Act 56 (2003) is available for inspection at the registered office of the municipality and further details are disclosed in Appendix B.

**8. Intangible Assets**

Group	2012		2011	
	Cost	Accumulated amortisation and impairment	Cost	Accumulated amortisation and impairment
Computer software and other	2,749,263	(1,272,579)	2,589,552	(613,702)
<b>Total</b>	<b>2,749,263</b>	<b>(1,272,579)</b>	<b>2,589,552</b>	<b>(613,702)</b>
Municipality	2012		2011	
	Cost	Accumulated amortisation and impairment	Cost	Accumulated amortisation and impairment
Computer software and other	2,749,263	(1,272,579)	2,589,552	(613,702)
<b>Total</b>	<b>2,749,263</b>	<b>(1,272,579)</b>	<b>2,589,552</b>	<b>(613,702)</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Reconciliation of Intangible Assets - 2012**

Group	Opening Balance	Additions	Amortisation	Total
Computer software and other	1,975,850	159,712	(658,878)	1,476,684
<b>Total</b>	<b>1,975,850</b>	<b>159,712</b>	<b>(658,878)</b>	<b>1,476,684</b>

**Reconciliation of Intangible Assets - 2012**

Municipality	Opening Balance	Additions	Amortisation	Total
Computer software and other	1,975,850	159,712	(658,878)	1,476,684
<b>Total</b>	<b>1,975,850</b>	<b>159,712</b>	<b>(658,878)</b>	<b>1,476,684</b>

**Reconciliation of Intangible Assets - 2011 restated**

Group	Opening Balance	Additions	Amortisation	Total
Computer software and other	2,386,029	203,524	(613,703)	1,975,850
<b>Total</b>	<b>2,386,029</b>	<b>203,524</b>	<b>(613,703)</b>	<b>1,975,850</b>

**Reconciliation of Intangible Assets - 2011 restated**

Municipality	Opening Balance	Additions	Amortisation	Total
Computer software and other	2,386,029	203,524	(613,703)	1,975,850
<b>Total</b>	<b>2,386,029</b>	<b>203,524</b>	<b>(613,703)</b>	<b>1,975,850</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>9. Investments in municipal entities</b>				
<b>% Holding</b>				
uThungulu Financing Partnership			99	99
uThungulu House Development Trust			100	100
<b>Carrying amount</b>				
uThungulu Financing Partnership			19,498,698	19,063,401
uThungulu House Development Trust			5,708,098	6,656,413
	<u>-</u>	<u>-</u>	<u>25,206,796</u>	<u>25,719,814</u>

The carrying amounts of municipal entities are shown net of impairment losses.

**10. Investment**

**Held to maturity  
ABSA**

21,000,000	-	21,000,000	-
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The INCA Zero Coupon of R7 963 350 was purchased by council in 2002/2003 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 2 195 585 in 2010/2011, at 11.35% was earned on the investment. The investment matured on the 30th of June 2011. As the investment was taken to settle the loan as detailed in note 11, the funds received have been re-invested in 2011/2012 for the purpose as stated. The R21 million was re-invested on the 15th of July 2011 with ABSA at an interest rate of 8.70%. The maturity date is 30th December 2015.

**Non-current assets  
Held to maturity**

21,000,000	-	21,000,000	-
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**Held to maturity investments impairment provision**

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

**11. Long-term liabilities**

**Held at amortised cost**

ABSA Bank 12.6%	42,032,370	43,471,380	42,032,370	43,471,380
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The loan was raised to finance the development of uThungulu House building and greater Mthonjaneni Bulk Water Scheme. The loan is repayable after a 15 year period. Interest at 12.6% is payable 6 monthly in arrears on the last day of the month.

INCA 13.95%	21,000,000	21,000,000	21,000,000	21,000,000
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The loan was raised to finance the purchase and development of the regional solid waste site. The loan is repayable after a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R21 million is due December 2015. The investment matured on the 30th of June 2011 and has been re-invested in the 11/12 financial year in order to repay this loan.

INCA 11.95%	26,314,518	27,423,160	26,314,518	27,423,160
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The loan was raised to finance extensions to uThungulu House and the development of the solid waste site cell 2. The loan is repayable after a 15 year period. Interest at 11.95% is payable 6 monthly in arrears on the last day of the month.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>11. Long-term liabilities (continued)</b>				
<i>Obligation under Finance Headlease</i>			24,564,331	24,296,048
<p>The finance headlease payments represent payments by the municipality for a headlease property in which the municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haili, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, ownership of the property will vest with uThungulu on the termination of the lease. The yield to maturity on the lease is 23.18% and is paid 6 monthly in advance on the last day of the month. Refer to note 7.</p>				
	<u>89,346,888</u>	<u>91,894,540</u>	<u>113,911,219</u>	<u>116,190,588</u>
Details of the repayment term of the obligations and the related interest rates are set out in Appendix A.				
<b>Non-current liabilities</b>				
At amortised cost	<u>85,611,710</u>	<u>89,346,888</u>	<u>104,584,204</u>	<u>108,739,410</u>
<b>Current liabilities</b>				
At amortised cost	<u>3,735,178</u>	<u>2,547,652</u>	<u>9,327,015</u>	<u>7,451,178</u>
	<u>89,346,888</u>	<u>91,894,540</u>	<u>113,911,219</u>	<u>116,190,588</u>
<b>Obligations under finance lease</b>				
- within one year			6,432,326	5,642,391
- in the second to the fifth year inclusive			36,086,017	31,654,401
- later than five years			<u>5,787,334</u>	<u>16,651,276</u>
			48,305,677	53,948,068
Less future finance charges			<u>(23,741,345)</u>	<u>(29,652,020)</u>
			<u>24,564,332</u>	<u>24,296,048</u>
Present value of minimum lease payments				
- within one year			5,591,838	4,903,526
- in the second to the fifth year inclusive			15,478,302	15,193,295
- later than five years			<u>3,494,192</u>	<u>4,199,227</u>
			<u>24,564,332</u>	<u>24,296,048</u>
<b>12. Payables from exchange transactions</b>				
Trade payables	101,651,286	94,317,299	101,651,286	94,317,299
Amounts received in advance	2,555,164	1,598,200	2,555,164	1,598,200
Other payables - retentions	15,888,281	14,688,482	15,888,281	14,688,482
Accrued leave pay	5,375,012	5,621,328	5,375,012	5,621,328
Other accrued expenses	4,569	86,931	4,569	86,931
Other payables	<u>7,382</u>	<u>37,802</u>	<u>7,382</u>	<u>37,802</u>
	<u>125,481,694</u>	<u>116,350,042</u>	<u>125,481,694</u>	<u>116,350,042</u>
The comparative figure for trade payables from exchange transactions has been re-stated - refer to note 37				
<b>13. Consumer deposits</b>				
Water	<u>8,229,262</u>	<u>7,244,363</u>	<u>8,229,262</u>	<u>7,244,363</u>
In terms of Council's by-laws no interest is raised or paid on consumer deposits.				

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations</b>				
Post-Employment Health Care Benefit Liability	10,584,545	9,863,739	10,584,545	9,863,739
Long Service Awards	3,596,390	3,561,002	3,596,390	3,561,002
<b>Total amount of liability for the post retirement benefit provisions</b>	<b>14,180,935</b>	<b>13,424,741</b>	<b>14,180,935</b>	<b>13,424,741</b>
	(757,672)	(674,258)	(757,672)	(674,258)
Less: Current portion of post-employment health care benefit liability	(62,340)	(55,656)	(62,340)	(55,656)
Less: Current portion of long service awards	(695,332)	(618,602)	(695,332)	(618,602)
<b>Net provision for post retirement benefit liability</b>	<b>13,423,263</b>	<b>12,750,483</b>	<b>13,423,263</b>	<b>12,750,483</b>
<b>14.1 Post-employment Health Care Benefit Liability</b>				
Post-Employment Health Care Benefit Liability	10,584,545	9,863,739	10,584,545	9,863,739
<b>Total: Post Retirement Medical Aid Benefit Liability</b>	<b>10,584,545</b>	<b>9,863,739</b>	<b>10,584,545</b>	<b>9,863,739</b>
Less: Transfer to current provisions	(62,340)	(55,656)	(62,340)	(55,656)
<b>Net Post-Employment Health Care Benefit Liability</b>	<b>10,522,205</b>	<b>9,808,083</b>	<b>10,522,205</b>	<b>9,808,083</b>

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service members (Employees)	149	153	149	153
In-service non-members	40	40	40	40
Continuation members (Retirees, widowers and orphans)	2	2	2	2
	<b>191</b>	<b>195</b>	<b>191</b>	<b>195</b>

The liability in respect of past services has been estimated to be as follows:

In-service members	9,594,496	8,959,630	9,594,496	8,959,630
Continuation members	990,049	904,109	990,049	904,109
	<b>10,584,545</b>	<b>9,863,739</b>	<b>10,584,545</b>	<b>9,863,739</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Key Health
- LA Health
- Hosmed
- Samwumed

The future service cost for the ensuing year is established to be R 1 063 967, whereas the interest-cost for the next year is estimated to be R 887 391 (2011: R 1 111 284 and R 870 570 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

<b>Rate of Interest</b>				
Discount rate	8.41%	8.85%	8.41%	8.85%
Health care cost inflation rate	7.08%	7.38%	7.08%	7.38%
Net effective discount rate	1.24%	1.37%	1.24%	1.37%
Benchmark inflation (=75% of salary inflation)	4.75%	-	4.75%	-
Expected retirement age - females	58	58	58	58
Expected retirement age - males	63	63	63	63

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations (continued)</b>				
<b>The amount recognised in the Statement of Financial Position are as follows:</b>				
Present value of fund obligations	10,584,545	9,863,739	10,584,545	9,863,739
	<u>10,584,545</u>	<u>9,863,739</u>	<u>10,584,545</u>	<u>9,863,739</u>
Present value of unfunded obligations	10,584,545	9,863,739	10,584,545	9,863,739
Benefit Liability	<u>10,584,545</u>	<u>9,863,739</u>	<u>10,584,545</u>	<u>9,863,739</u>
<b>The amount recognised in the Statement of Financial Performance are as follow:</b>				
Current service cost	1,111,284	812,181	1,111,284	812,181
Interest cost	870,570	677,055	870,570	677,055
	<u>(1,205,392)</u>	<u>1,023,508</u>	<u>(1,205,392)</u>	<u>1,023,508</u>
Total included in employee related cost	<u>776,462</u>	<u>2,512,744</u>	<u>776,462</u>	<u>2,512,744</u>
<b>The movement in the defined benefit obligation over the year is as follows:</b>				
Balance at the beginning of the year	9,863,739	7,399,379	9,863,739	7,399,379
- Current service cost	1,111,284	812,181	1,111,284	812,181
- Interest cost	870,570	677,055	870,570	677,055
- Benefits paid	(55,656)	(48,384)	(55,656)	(48,384)
- Actuarial (gain)/losses on the obligation	<u>(1,205,392)</u>	<u>1,023,508</u>	<u>(1,205,392)</u>	<u>1,023,508</u>
Balance at the end of the year	<u>10,584,545</u>	<u>9,863,739</u>	<u>10,584,545</u>	<u>9,863,739</u>
<b>The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:</b>				
<b>Increase</b>				
Effect on the aggregate current service and interest cost	439,000	242,300	439,000	242,300
Effect on the defined benefit obligation	1,552,000	2,076,000	1,552,000	2,076,000
<b>Decrease</b>				
Effect on the aggregate current service and interest cost	(344,500)	(215,400)	(344,500)	(215,400)
Effect on the defined benefit obligation	<u>(1,352,000)</u>	<u>(1,646,000)</u>	<u>(1,352,000)</u>	<u>(1,646,000)</u>
Defined benefit obligation	10,584,545	9,863,739	10,584,545	9,863,739
The municipality expects to make a contribution of R 62 340, (2012: R 55 656) to the defined benefit plans during the next financial year.				

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations (continued)</b>				
<b>14.2 Long Service Awards</b>				
Provision for Long Service Awards	3,596,390	3,561,001	3,596,390	3,561,001
<b>Total provision for Long Service Awards</b>	<b>3,596,390</b>	<b>3,561,001</b>	<b>3,596,390</b>	<b>3,561,001</b>
Less: Transfer to current provisions	(695,332)	(618,602)	(695,332)	(618,602)
<b>Net Long Service Awards Liability</b>	<b>2,901,058</b>	<b>2,942,399</b>	<b>2,901,058</b>	<b>2,942,399</b>

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2012 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2012 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 772 680, whereas the interest-cost for the next year is estimated to be R 202 053 (2011: R 859 937 and R 246 604 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

**Rates of Interest**

Discount rate	6.21%	7.57%	6.21%	7.57%
Net effective discount rate	0.23%	1.28%	0.23%	1.28%
Expected rate of salary increase	5.97%	6.21%	5.97%	6.21%
Expected retirement age - females	58	58	58	58
Expected retirement age - males	63	63	63	63

The amount recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3,596,390	3,561,001	3,596,390	3,561,001
	<b>3,596,390</b>	<b>3,561,001</b>	<b>3,596,390</b>	<b>3,561,001</b>
Present value of unfunded obligations	3,596,390	3,561,001	3,596,390	3,561,001
<b>Benefit Liability</b>	<b>3,596,390</b>	<b>3,561,001</b>	<b>3,596,390</b>	<b>3,561,001</b>

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	859,937	490,530	859,937	490,530
Interest cost	246,604	194,019	246,604	194,019
Actuarial (gain)/losses	(452,550)	811,319	(452,550)	811,319
<b>Total Included in employee related cost</b>	<b>653,991</b>	<b>1,495,868</b>	<b>653,991</b>	<b>1,495,868</b>

The movement in the defined benefit obligation over the year as follows:

Balance at the beginning of the year	3,561,001	2,195,634	3,561,001	2,195,634
- Current service cost	859,937	490,530	859,937	490,530
- Interest cost	246,604	194,019	246,604	194,019
- Benefits paid	(618,602)	(130,501)	(618,602)	(130,501)
- Actuarial (gain)/losses	(452,550)	811,319	(452,550)	811,319
<b>Balance at the end of the year</b>	<b>3,596,390</b>	<b>3,561,001</b>	<b>3,596,390</b>	<b>3,561,001</b>

Defined benefit obligation	3,596,390	3,561,001	3,596,390	3,561,001
Experience adjustment on plan liabilities	(684,082)	561,882	(684,082)	561,882



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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>14. Defined benefit obligations (continued)</b>				
<b>Other assumptions</b>				
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:				
<b>Increase</b>				
Effect on the aggregate of the service cost and interest cost	47,613	36,184	47,613	36,184
Effect on the defined benefit obligation	195,000	179,000	195,000	179,000
<b>Decrease</b>				
Effect on the aggregate of the service cost and interest cost	(42,948)	(32,816)	(42,948)	(32,816)
Effect on the defined benefit obligation	(175,000)	(163,000)	(175,000)	(163,000)
Defined benefit obligation	3,596,390	3,561,001	3,596,390	3,561,001

The municipality expects to make a contribution of R 695 332 (2012: R 618 602) to the defined benefit plan during the next financial year.

**Provincially-administered defined benefit obligations**

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Net Gain or (Loss)
Government Employees Pension Fund	March 2010	801,004,000	801,004,000	-
KwaZulu-Natal Joint Municipal Provident Fund	March 2010	836,448	753,288	83,160
Natal Joint Municipal Pension Fund (Superannuation)	March 2011	5,501,500	6,051,000	(549,500)
Natal Joint Municipal Pension Fund (Retirement)	March 2011	2,018,800	2,401,100	(382,300)
Zululand Joint Provident Fund (uThungulu District Municipality Provident Fund)	February 2009	12,541,836	12,541,836	-

An amount of R 8 018 765 (2011: R 6 209 920) was contributed by Council towards employee retirement funding. These contributions have been expensed. The Zululand Joint Provident Fund has received a notice of exemption for further valuations per notice number 12/8/37666.

**15. Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

<b>Conditional Grants from spheres of Government and other</b>				
Municipal Infrastructure Grant	47,749,291	72,554,169	47,749,291	72,554,169
Department of Co-operative Governance and Traditional Affairs (Previously DITLGA)	10,980,879	12,881,771	10,980,879	12,881,771
Department of Water Affairs	1,826,455	942,042	1,826,455	942,042
Department of Co-operative Governance and Traditional Affairs	7,861,281	861,867	7,861,281	861,867
Department of Public Works	3,025,661	1,727,394	3,025,661	1,727,394
National Treasury	500,942	280,219	500,942	280,219
Foskor	186	186	186	186
Provincial Treasury	280,196	1,220,833	280,196	1,220,833
Department of Sport and Recreation	3,813	3,813	3,813	3,813
Department of Agriculture	177,708	177,708	177,708	177,708
Department of Economic Affairs and Tourism	11,842	43,857	11,842	43,857
Department of Transport	1,591,846	313,770	1,591,846	313,770
Other	238,865	238,866	238,865	238,866
	<b>74,248,965</b>	<b>91,246,495</b>	<b>74,248,965</b>	<b>91,246,495</b>

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**16. Provisions**

**Group**

**Reconciliation of provision - 2012**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	65,117,292	4,297,741	-	-	69,415,033
Performance bonus	768,503	751,980	(180,000)	(588,502)	751,981
<b>Total</b>	<b>65,885,795</b>	<b>5,049,721</b>	<b>(180,000)</b>	<b>(588,502)</b>	<b>70,167,014</b>

**Reconciliation of provision - 2011**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	60,914,211	4,203,081	-	-	65,117,292
Performance bonus	710,363	58,140	-	-	768,503
<b>Total</b>	<b>61,624,574</b>	<b>4,261,221</b>	<b>-</b>	<b>-</b>	<b>65,885,795</b>

**Municipality**

**Reconciliation of provision - 2012**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	65,117,292	4,297,741	-	-	69,415,033
Performance bonus	768,503	751,980	(180,000)	(588,502)	751,981
<b>Total</b>	<b>65,885,795</b>	<b>5,049,721</b>	<b>(180,000)</b>	<b>(588,502)</b>	<b>70,167,014</b>

**Reconciliation of provision - 2011**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Reclamation of refuse landfill site	60,914,211	4,203,081	-	-	65,117,292
Performance bonus	710,363	58,140	-	-	768,503
<b>Total</b>	<b>61,624,574</b>	<b>4,261,221</b>	<b>-</b>	<b>-</b>	<b>65,885,795</b>

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>16. Non-current and current provisions (continued)</b>				
Non-current liabilities	69,415,033	65,117,292	69,415,033	65,117,292
Current liabilities	751,981	768,503	751,981	768,503
	<u>70,167,014</u>	<u>65,885,795</u>	<u>70,167,014</u>	<u>65,885,795</u>

Performance bonuses are paid after the financial year end in arrears as the assessment of eligible employees had not taken place at reporting date. During the period reported the assessment of the previous Municipal Manager and Executive Director Corporate Services had been concluded, however the bonuses have not yet been effected.

In terms of licensing of the landfill refuse site, council will incur rehabilitation costs of R 69.4 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, planning estimated to commence in 2013. Provision has been made at best estimate determined by the resident professional engineer at a cost for the current solid waste (Cell 1 & Cell 2) and the old Empangeni Site.

**17. Service charges**

Sale of water	35,615,614	30,124,717	35,615,614	30,124,717
Solid waste revenue	8,444,902	7,239,081	8,444,902	7,239,081
Sanitation revenue	3,740,115	3,513,026	3,740,115	3,513,026
Cemetery revenue	216,751	316,110	216,751	316,110
	<u>48,017,382</u>	<u>41,192,934</u>	<u>48,017,382</u>	<u>41,192,934</u>

**18. Government grants & subsidies**

Levy replacement grant	152,214,492	139,638,170	152,214,492	139,638,170
Municipal Infrastructure Grant	192,077,315	96,875,753	192,077,315	96,875,753
Equitable share	146,963,509	120,340,137	146,963,509	120,340,137
Department of Co-operative Governance and Traditional Affairs (Previously DTLGA)	1,900,892	4,383,184	1,900,892	4,383,184
Department of Water Affairs	34,553,187	18,568,056	34,553,187	18,568,056
Department of Co-operative Governance and Traditional Affairs	1,967,109	3,982,596	1,967,109	3,982,596
Department of Public Works	1,145,732	769,178	1,145,732	769,178
National Treasury	1,029,277	854,367	1,029,277	854,367
Foskor	-	16,929	-	16,929
Provincial Treasury	940,638	391,477	940,638	391,477
Department of Agriculture	-	12,000	-	12,000
Department of Economic Affairs & Tourism	32,015	256,143	32,015	256,143
Department of Transport	409,924	-	409,924	-
	<u>533,234,090</u>	<u>386,087,990</u>	<u>533,234,090</u>	<u>386,087,990</u>

**Summary of grants per funder**

**Levy Replacement Grant**

Regional council levies have been discontinued as from 30 June 2006, and the national fiscus has allocated a levy replacement grant to the district municipalities. The levy replacement grant is an interim measure to ensure the financial stability of the district municipalities while national government is currently defining the overall fiscus streams to local government.

**Municipal Infrastructure Grant**

Balance unspent at beginning of year	72,554,169	57,219,922	72,554,169	57,219,922
Current-year receipts	160,933,000	112,210,000	160,933,000	112,210,000
Conditions met - transferred to revenue	(185,737,878)	(96,875,753)	(185,737,878)	(96,875,753)
	<u>47,749,291</u>	<u>72,554,169</u>	<u>47,749,291</u>	<u>72,554,169</u>

Conditions still to be met - remain liabilities (see note 15)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

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	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R

**18. Government grants & subsidies (continued)**

**Equitable share**

In terms of the Constitution, this grant is unconditional and is used to subsidise the provision of basic services to the community. These subsidies includes 6 kilolitre free basic water to the entire district with the exception of KZ 282.

**Department of Co-operative Governance and Traditional Affairs (Previously DILGA)**

Balance unspent at beginning of year	12,881,771	16,491,403	12,881,771	16,491,403
Current-year receipts	-	329,000	-	329,000
Conditions met - transferred to revenue	(1,900,892)	(3,938,632)	(1,900,892)	(3,938,632)
	<u>10,980,879</u>	<u>12,881,771</u>	<u>10,980,879</u>	<u>12,881,771</u>

Conditions still to be met - remain liabilities (see note 15)

These grants are used:

- to build capacity within the district in order to perform functions as per legislature;
- for disaster programmes, fire fighting equipment, water service delivery planning, shared services unit and infrastructure.

**Department of Water Affairs**

Balance unspent at beginning of year	942,042	1,114,478	942,042	1,114,478
Current-year receipts	35,437,600	18,395,620	35,437,600	18,395,620
Conditions met - transferred to revenue	(34,553,187)	(18,568,056)	(34,553,187)	(18,568,056)
	<u>1,826,455</u>	<u>942,042</u>	<u>1,826,455</u>	<u>942,042</u>

Conditions still to be met - remain liabilities (see note 15)

These grants are used for:

- water infrastructure and sanitation projects;
- drought relief and disaster relief programmes

**Department of Co-operative Governance and Traditional Affairs**

Balance unspent at beginning of year	861,867	225,986	861,867	225,986
Current-year receipts	8,966,523	3,278,000	8,966,523	3,278,000
Conditions met - transferred to revenue	(1,967,109)	(2,642,119)	(1,967,109)	(2,642,119)
	<u>7,861,281</u>	<u>861,867</u>	<u>7,861,281</u>	<u>861,867</u>

Conditions still to be met - remain liabilities (see note 15)

The Department of Co-operative Governance and Traditional Affairs grants are used to build capacity within the district in order to perform functions as per legislature.

**Department of Public Works**

Balance unspent at beginning of year	1,595,272	616,950	1,595,272	616,950
Current-year receipts	2,444,000	1,747,500	2,444,000	1,747,500
Conditions met - transferred to revenue	(1,145,732)	(769,178)	(1,145,732)	(769,178)
Other - CPWP	132,121	-	132,121	-
	<u>3,025,661</u>	<u>1,595,272</u>	<u>3,025,661</u>	<u>1,595,272</u>

Conditions still to be met - remain liabilities (see note 15)

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

**National Treasury**

Balance unspent at beginning of year	280,219	134,586	280,219	134,586
Current-year receipts	1,250,000	1,000,000	1,250,000	1,000,000
Conditions met - transferred to revenue	(1,029,277)	(854,367)	(1,029,277)	(854,367)
	<u>500,942</u>	<u>280,219</u>	<u>500,942</u>	<u>280,219</u>

Conditions still to be met - remain liabilities (see note 15)

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>18. Government grants &amp; subsidies (continued)</b>				
National Treasury other grants are used for:				
- to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act (Act no. 56 of 2003).				
<b>FOSKOR</b>				
Balance unspent at beginning of year	186	17,115	186	17,115
Conditions met - transferred to revenue	-	(16,929)	-	(16,929)
	<u>186</u>	<u>186</u>	<u>186</u>	<u>186</u>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from FOSKOR is to partner with the district municipality in the fight against HIV and Aids.				
<b>Provincial Treasury</b>				
Balance unspent at beginning of year	1,220,833	1,028,241	1,220,833	1,028,241
Current-year receipts	-	584,069	-	584,069
Conditions met - transferred to revenue	(940,637)	(391,477)	(940,637)	(391,477)
	<u>280,196</u>	<u>1,220,833</u>	<u>280,196</u>	<u>1,220,833</u>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from Provincial Treasury is used for the upliftment of the districts communities through various programmes.				
<b>Department of Sport &amp; Recreation</b>				
Balance unspent at beginning of year	<u>3,813</u>	<u>3,813</u>	<u>3,813</u>	<u>3,813</u>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from the Department of Sport and Recreation is used to construct sporting infrastructure in the district. This grant also included funding for the 2010 sports stadium that has been constructed by the municipality. The grant is spent in accordance with the approved business plan. No funds have been withheld.				
<b>Department of Transport</b>				
Balance unspent at beginning of year	313,770	313,770	313,770	313,770
Current-year receipts	1,688,000	-	1,688,000	-
Conditions met - transferred to revenue	(409,924)	-	(409,924)	-
	<u>1,591,846</u>	<u>313,770</u>	<u>1,591,846</u>	<u>313,770</u>
Conditions still to be met - remain liabilities (see note 15)				
The Department of Transport grant is used for the development of the public transport plan.				
<b>Department of Economic Affairs and Tourism</b>				
Balance unspent at beginning of year	43,857	300,000	43,857	300,000
Conditions met - transferred to revenue	(32,015)	(256,143)	(32,015)	(256,143)
	<u>11,842</u>	<u>43,857</u>	<u>11,842</u>	<u>43,857</u>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from the Department of Economic Affairs and Tourism is for the development and promotion of the districts local economy and tourism.				
<b>Department of Agriculture</b>				
Balance unspent at beginning of year	177,708	189,708	177,708	189,708
Conditions met - transferred to revenue	-	(12,000)	-	(12,000)
	<u>177,708</u>	<u>177,708</u>	<u>177,708</u>	<u>177,708</u>
Conditions still to be met - remain liabilities (see note 15)				
The grant received from the Department of Agriculture is for the development of a district agricultural plan.				

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	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>19. Other Income</b>				
Sundry Income	1,696,247	6,365,883	1,696,247	6,365,883
Income from the uThungulu House Development Trust			2,896,275	2,951,534
Income from the uThungulu Financing Partnership			3,060,734	2,853,557
Tender deposits	265,966	320,617	265,966	320,617
SETA refund	454,212	190,021	454,212	190,021
Insurance claim proceeds	228,408	123,617	228,408	123,617
Lease income	99,885	90,805	99,885	90,805
Other income	1,012	929	1,012	929
	<u>2,745,730</u>	<u>7,091,872</u>	<u>8,702,739</u>	<u>12,896,963</u>
<b>20. Interest Received</b>				
Interest revenue				
Outstanding debtors	39,573	55,700	39,573	55,700
External investments	27,048,178	24,241,116	26,998,106	24,149,787
	<u>27,087,751</u>	<u>24,296,816</u>	<u>27,037,679</u>	<u>24,205,487</u>
<b>21. Employee related costs</b>				
Employee related costs - Salaries and wages	55,131,305	53,701,327	55,131,305	53,701,327
Employee related costs - Contributions for UIF, pensions & medical aid	11,672,551	11,190,484	11,672,551	11,190,484
Travel and other allowances	6,235,526	6,806,906	6,235,526	6,806,906
Overtime and relief payments	11,602,892	8,145,272	11,602,892	8,145,272
Housing benefits and allowances	2,686,516	2,949,080	2,686,516	2,949,080
Post Retirement Obligation: Post-employment health care benefit	268,256	2,464,360	268,256	2,464,360
Post Retirement Obligation: Long Service Awards	487,939	1,365,367	487,939	1,365,367
	<u>88,084,985</u>	<u>86,622,796</u>	<u>88,084,985</u>	<u>86,622,796</u>
Included in employee related costs above are the following salaries, allowances and benefits:				
<b>Remuneration of Municipal Manager</b>				
Annual Remuneration	366,069	863,736	366,069	863,736
Car Allowance	84,197	343,415	84,197	343,415
Performance Bonuses	-	142,582	-	142,582
Contributions to UIF,SDL and other	16,495	11,625	16,495	11,625
Dispute settlement	1,210,867	-	1,210,867	-
	<u>1,677,628</u>	<u>1,361,358</u>	<u>1,677,628</u>	<u>1,361,358</u>
<b>Remuneration of Deputy Municipal Manager</b>				
Annual Remuneration	827,077	803,594	827,077	803,594
Car Allowance	352,503	352,280	352,503	352,280
Performance Bonuses	146,939	135,453	146,939	135,453
Contributions to UIF,SDL and other	14,164	12,599	14,164	12,599
Acting allowance	19,276	-	19,276	-
	<u>1,359,959</u>	<u>1,303,926</u>	<u>1,359,959</u>	<u>1,303,926</u>
<b>Remuneration of Executive Director Technical Services</b>				
Annual Remuneration	683,880	783,090	683,880	783,090
Car Allowance	166,099	157,056	166,099	157,056
Performance Bonuses	-	125,316	-	125,316
Contributions to UIF,SDL,pension & medical aid	201,759	10,158	201,759	10,158
Annual Bonus	33,231	-	33,231	-
	<u>1,084,969</u>	<u>1,075,620</u>	<u>1,084,969</u>	<u>1,075,620</u>
<b>Remuneration of Executive Director Corporate Services</b>				
Annual Remuneration	347,877	792,387	347,877	792,387
Car Allowance	54,911	219,645	54,911	219,645
Performance Bonuses	-	128,324	-	128,324
Contributions to UIF,SDL and other	17,839	10,831	17,839	10,831
Dispute settlement	1,362,226	-	1,362,226	-
	<u>1,782,853</u>	<u>1,151,187</u>	<u>1,782,853</u>	<u>1,151,187</u>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>21. Employee related costs (continued)</b>				
<b>Remuneration of Chief Financial Officer</b>				
Annual Remuneration	727,064	1,007,297	727,064	1,007,297
Car Allowance	219,645	130,731	219,645	130,731
Performance Bonuses	33,062	128,324	33,062	128,324
Contributions to UIF,SDL and other	11,682	12,939	11,682	12,939
Acting allowance	115,272	-	115,272	-
	<u>1,106,725</u>	<u>1,279,291</u>	<u>1,106,725</u>	<u>1,279,291</u>
<b>22. Remuneration of councillors</b>				
Mayor	690,437	425,708	690,437	425,708
Deputy Mayor	555,958	439,219	555,958	439,219
Speaker	559,271	439,219	559,271	439,219
Chief Whip	276,049	-	276,049	-
Executive Committee	1,928,176	2,030,537	1,928,176	2,030,537
Councillors	3,220,164	1,737,760	3,220,164	1,737,760
Councillors' pension contribution	639,666	419,407	639,666	419,407
	<u>7,869,721</u>	<u>5,491,850</u>	<u>7,869,721</u>	<u>5,491,850</u>
<b>In-kind benefits</b>				
The Mayor, Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. The Mayor has the use of a Council owned vehicle together with a driver for official duties and security.				
<b>23. Depreciation, amortisation &amp; Impairment</b>				
Property, plant and equipment and amortisation	<u>36,542,829</u>	<u>40,060,828</u>	<u>36,542,829</u>	<u>40,060,828</u>
The comparative figures have been restated - refer to note 37.				
<b>24. Finance costs</b>				
Interest paid - long term liabilities	<u>5,962,760</u>	<u>6,956,310</u>	<u>11,900,614</u>	<u>12,698,920</u>
<b>25. Bulk purchases</b>				
Electricity for operations	13,193,969	11,176,533	13,193,969	11,176,533
Water	16,010,394	13,293,853	16,010,394	13,293,853
	<u>29,204,363</u>	<u>24,470,386</u>	<u>29,204,363</u>	<u>24,470,386</u>
<b>26. Grants and subsidies paid</b>				
KZ 282 Umhlathuze Municipality	3,257,027	1,266,558	3,257,027	1,266,558
KZ 283 Ntambonana Municipality	5,452,000	3,912,999	5,452,000	3,912,999
KZ 284 Umlalazi Municipality	535,407	851,616	535,407	851,616
	<u>9,244,434</u>	<u>6,031,173</u>	<u>9,244,434</u>	<u>6,031,173</u>
<b>27. General expenses</b>				
Advertisements	297,127	803,842	297,127	803,842
Chemicals	2,286,384	1,918,442	2,286,384	1,918,442
External audit fees	2,246,605	2,024,359	2,246,605	2,024,359
Fuel and oil	2,790,077	2,415,905	2,790,077	2,415,905
IDP operational externally funded projects	45,781,146	20,107,166	45,781,146	20,107,166
IDP operational internal funded projects	44,890,691	49,246,657	44,890,691	49,246,657
Insurance	1,673,072	1,307,993	1,673,072	1,307,993
Landfill site reclamation	4,297,741	4,203,081	4,297,741	4,203,081
Other expenses	9,317,346	6,040,154	9,317,346	6,040,129
Publicity	752,808	873,246	752,808	873,246
Rent - Plant and vehicles	3,218,566	3,606,332	3,218,566	3,606,332
Subsistence & travelling	895,744	833,226	895,744	833,226
Telephone	1,353,235	1,318,253	1,353,235	1,318,253
	<u>119,800,542</u>	<u>94,698,656</u>	<u>119,800,542</u>	<u>94,698,631</u>

**UTHUNGULU DISTRICT MUNICIPALITY**  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	<b>Group</b>		<b>Municipality</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>28. Cash generated from operations</b>				
Surplus before outside partners interest adjustment	208,035,456	93,676,692	208,004,539	93,647,869
<b>Adjustments for:</b>				
Depreciation and amortisation	36,542,829	40,060,828	36,542,829	40,060,828
(Surplus)/Loss on sale of property, plant and equipment	419,223	(601,377)	419,223	(601,377)
Debt impairment	8,023,573	6,436,353	8,023,573	6,436,353
Movement in retirement benefits assets and liabilities	756,194	3,829,727	756,194	3,829,727
Movement in provisions	4,281,219	4,261,221	4,281,219	4,261,221
Change in accounting estimates	(275,239)	(413,393)	(275,239)	(413,390)
Distribution by partnership	(26,521)	(23,127)		
<b>Changes in working capital:</b>				
Inventories	946,807	1,334,136	946,807	1,334,136
Other debtors	(10,493,976)	(1,342,040)	(10,493,976)	(1,342,040)
Consumer debtors	(10,652,978)	(2,125,444)	(10,652,978)	(2,125,444)
Payables from exchange transactions	9,131,657	44,856,029	9,131,657	44,856,029
VAT	(4,836,240)	(925,657)	(4,836,240)	(925,657)
Unspent conditional grants and receipts	(16,997,530)	13,219,536	(16,997,530)	13,219,536
Consumer deposits	984,899	1,001,761	984,899	1,001,761
State cheque's	-	(1,064,297)	-	(1,064,297)
Other non-cash items: Accruals	(12,948,047)	(7,872,041)	(12,948,047)	(7,872,041)
	<b>212,891,326</b>	<b>194,308,907</b>	<b>212,886,930</b>	<b>194,303,214</b>

**29. Commitments**

**Authorised capital expenditure**

**Approved and contracted for**

- Infrastructure	<b>176,330,686</b>	<b>133,241,563</b>	<b>176,330,686</b>	<b>133,241,563</b>
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**This expenditure will be financed from:**

- Government grants	174,570,924	127,104,914	174,570,924	127,104,914
- Own Resources	1,759,762	6,136,649	1,759,762	6,136,649
	<b>176,330,686</b>	<b>133,241,563</b>	<b>176,330,686</b>	<b>133,241,563</b>

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive Committee prior to 30 June 2012. The majority of the capital projects include water infrastructure.

**30. Operating leases - as lessee (expense)**

**Minimum lease payments due**

- within one year	2,879,744	2,871,985	2,879,744	2,871,985
- in second to fifth year inclusive	485,596	3,357,740	485,596	3,357,740
	<b>3,365,340</b>	<b>6,229,725</b>	<b>3,365,340</b>	<b>6,229,725</b>

Operating lease payments represent payments for the leasing of vehicles by the group and municipality. Lease contracts are entered into for a three year period and the lease payments are fixed for the lease period with no escalation. New lease agreements were entered into by the group and municipality in the 2010/2011 financial year and an amount of R2 973 415 has been recognised in the Statement of Financial Performance.



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	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R

**31. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the consolidated annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

The deviations greater than R200 000 are listed individually below for the period ending 30 June 2012.

Project Description

Catering for athletes attending camp for Salga Games	215,848		215,848	
Hire of marquees, accessories, decor and furniture for the Kwabulwayo event	374,758		374,758	
Hire of additional plant for landfill site operations	1,161,179		1,161,179	
Professional engineering services at Eshowe water works	2,901,524		2,901,524	
Asset management support	1,147,136		1,147,136	
	<u>5,800,445</u>		<u>5,800,445</u>	
Various deviations less than R200 000	8,341,801		8,341,801	
	<u>14,142,246</u>		<u>14,142,246</u>	

**32. Awards to close family members of persons in the services of the state**

The Municipal Finance Management Act (Act no. 56 of 2003); Municipal Supply Chain Management Regulations paragraph 45 states that the particulars of any award more than R 2 000 made to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve(12) months must be disclosed as a note in the financial statements.

The details are listed below for the period ending 30 June 2012:

Name of person	T. Jordan
Capacity	Deputy Manager: Development Administration (uMhlatuze Municipality)
Service Provider	Audio computer world
Number transactions	44
Total amount	R789,903
Name of person	N.Naidoo
Capacity	Councillor
Number transactions	1
Total amount	R180,000

The latter transaction pertains to a disposal of an asset approved by Council and which was thereafter dealt with via a public auction.

**33. Additional disclosure in terms of the Municipal Finance Management Act**

**Contributions to organised local government**

Opening balance	(674,157)	-	(674,157)	-
Current year membership fee	674,157	612,870	674,157	612,870
Amount paid - current year	-	(1,287,027)	-	(1,287,027)
	<u>-</u>	<u>(674,157)</u>	<u>-</u>	<u>(674,157)</u>

**Audit fees**

Current year fee	2,246,605	2,024,359	2,246,605	2,024,359
Amount paid - current year	(291,362)	(179,140)	(291,362)	(179,140)
Amount paid - previous year	(1,955,243)	(1,845,219)	(1,955,243)	(1,845,219)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**PAYE and UIF**

Current year subscription / fee	14,242,854	12,654,622	14,242,854	12,654,622
Amount paid - current year	(14,242,854)	(12,654,622)	(14,242,854)	(12,654,622)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	Group		Municipality	
	2012	2011	2012	2011
	R	R	R	R
<b>33. Additional disclosure in terms of the Municipal Finance Management Act (continues)</b>				
<b>Pension and Medical Aid Deductions</b>				
Current year subscription / fee	10,452,681	9,850,535	10,452,681	9,850,535
Amount paid - current year	(10,452,681)	(9,850,535)	(10,452,681)	(9,850,535)
	-	-	-	-
<b>VAT</b>				
VAT receivable	10,111,601	5,275,361	10,111,601	5,275,361

All VAT returns have been submitted by the due date throughout the year.

**34. Contingencies**

**Future legal fees**

1. Ex-employee 1 - legal action pending	600,000	600,000	600,000	600,000
2. Contractor 1 - legal matter pending	140,000	140,000	140,000	140,000
3. Consulting Engineers 2 - legal matter pending	140,000	140,000	140,000	140,000
4. Contractor 2 - legal matter pending	100,000	100,000	100,000	100,000
5. Service provider - legal action pending	40,000	40,000	40,000	40,000
6. Ex-employee 2 - legal action pending	-	140,000	-	140,000
7. Employee 3 - a case of theft of money	42,561	42,561	42,561	42,561
8. Labour Court Judgement - Task pay scales	2,500,000	-	2,500,000	-
9. Employee 4 - a case of alleged theft of money	8,170	-	8,170	-
	<u>3,570,731</u>	<u>1,202,561</u>	<u>3,570,731</u>	<u>1,202,561</u>

1. The municipality has taken legal action against an ex-employee that made an illegal investment. The matter is being dealt with by the high court. The appointed legal team has commenced with pre-trial preparations with the appointed advocate. New trial dates are pending.

2. This is a contractor's liability claim by the municipality against a contractor for non performance and is a high court claim. The legal team appointed on the matter are awaiting trial dates to be set down on the roll.

3. This matter refers to a dispute with a consulting engineering firm and relates to the consultant increasing the scope of work of a project without obtaining prior approval from the municipality. The matter is a high court claim.

4. The municipality has legal action against a contractor for non performance and relates to the claim referred to in point 3 above. The matter is with the high court.

5. This is a high court claim that has been lodged against a service provider.

6. This matter has been finalised in October 2010 and the claim has been settled.

7. This matter refers to a case of theft of money by an employee. A criminal case has being opened at the SAPS and attempts are being made to recover the monies, furthermore disciplinary action was taken and the said employee was subsequently found guilty and dismissed.

8. The matter refers to a judgement handed down by the Labour Court of South Africa (Case no. J1255/2010) wherein the municipalities have been ordered to effect a 8.48% salary adjustment in the Job evaluation wage curve. The matter has been taken on appeal by SALGA and is considered sub-judice.

9. This matter refers to a case of theft of money by an employee. A criminal case has been opened at SAPS and the employee has been dismissed through the disciplinary process.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality
	2012 R	2011 R	2012 R
			2011 R
<b>35. Related parties</b>			
<b>Relationships</b>			
Municipal entities	The uThungulu Financing Partnership uThungulu House Development Trust		
<b>Related Party Balances</b>			
<b>Investment in municipal entities</b>			
The uThungulu Financing Partnership			19,498,698
uThungulu House Development Trust			6,656,413
<b>Income received from related parties</b>			
The uThungulu Financing Partnership			3,060,734
uThungulu House Development Trust			2,853,557
<b>Balances outstanding from related parties</b>			
The uThungulu Financing Partnership			24,564,331
<b>% Interest in municipal entities</b>			
The uThungulu Financing Partnership			99
uThungulu House Development Trust			100
<b>Related parties transactions</b>			
<b>Sub-lease payments</b>			
The uThungulu Financing Partnership			5,642,391

The uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub payments to the partnership to reimburse uThungulu Financing Partnership for loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 and ending in 2017).

uThungulu House Development trust leases immovable property to the uThungulu Financing Partnership, in terms of a financing lease. The original lease period expires on the 31 October 2017.

Both of the above mentioned entities are incorporated in South Africa.

**Key Management Compensation**

Key management includes Section 56 managers, Section 57 managers and councillors. The compensation paid or payable to key management for employee services and councillors' allowances is shown in notes 21 and 22.

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Group  
2012

**36. Actual operating, capital and cash flow expenditure versus budgeted operating, capital and cash flow expenditure**

R thousands '000	Original Budget	Budget Adjustment	Virements	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>									
Property Rates	-	-	-	-	-	-	-	-	-
Service Charges	32,873	3,345	-	36,218	48,017	-	(11,799)	133	146
Investment Revenue	25,595	(1,002)	-	24,593	27,088	-	(2,495)	110	106
Transfers recognized - operational	349,907	40,396	-	390,303	349,642	-	40,661	90	100
Other own Revenue	70,378	69,382	-	139,760	2,780	-	136,981	2	4
<b>Total Revenue (excl cap transfers and contributions)</b>	<b>478,754</b>	<b>112,121</b>	<b>-</b>	<b>590,874</b>	<b>427,526</b>	<b>-</b>	<b>163,348</b>	<b>72</b>	<b>89</b>
Employee costs	113,772	1,636	4,652	120,060	88,085	-	(31,975)	73	77
Remuneration of Councilors	7,473	417	280	8,170	7,870	-	(300)	96	105
Debt Impairment	-	-	9,348	9,348	8,024	-	(1,324)	86	100
Depreciation & Asset Impairment	32,318	7,086	(2,455)	36,949	36,543	-	(406)	99	113
Finance Charges	14,180	-	(138)	14,042	5,963	-	(8,080)	42	42
Materials and bulk purchases	21,316	1,500	8,017	30,833	29,204	-	(1,629)	95	137
Transfers and grants	1,670	-	8,340	10,010	9,244	-	(766)	92	554
Other Expenditure	251,083	57,235	(28,045)	280,274	218,151	-	(62,123)	78	87
<b>Total Expenditure</b>	<b>441,811</b>	<b>67,875</b>	<b>-</b>	<b>509,686</b>	<b>403,084</b>	<b>-</b>	<b>(106,602)</b>	<b>79</b>	<b>91</b>
<b>Surplus / (Deficit)</b>	<b>36,942</b>	<b>44,246</b>	<b>-</b>	<b>81,188</b>	<b>24,443</b>	<b>-</b>	<b>56,746</b>		
Transfers recognized - capital	159,812	68,430	-	228,242	183,592	-	(44,650)	80	115
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus / (Deficit) after capital transfers and contributions</b>	<b>196,755</b>	<b>112,676</b>	<b>-</b>	<b>309,431</b>	<b>208,035</b>	<b>-</b>	<b>(101,396)</b>	<b>67</b>	<b>106</b>
Share of surplus / (deficit) of outside partner	-	-	-	-	(31)	-	-	-	-
<b>Surplus / (Deficit) for the year</b>	<b>196,755</b>	<b>112,676</b>	<b>-</b>	<b>309,431</b>	<b>208,004</b>	<b>-</b>	<b>(101,396)</b>	<b>67</b>	<b>106</b>
<b>Capital expenditure &amp; fund sources</b>									
<b>Capital Expenditure</b>									
Transfers recognized - capital	159,812	68,430	-	228,242	183,592	-	(44,650)		
Public contributions & donations	-	2,000	-	2,000	-	-	(2,000)		
Borrowing	-	19,392	-	19,392	-	-	(19,392)		
Internally generated funds	36,942	26,075	-	63,018	-	-	(63,018)		
<b>Total sources of capital funds</b>	<b>196,755</b>	<b>113,898</b>	<b>-</b>	<b>309,432</b>	<b>183,592</b>	<b>-</b>	<b>(125,840)</b>	<b>59</b>	<b>93</b>
<b>Cash Flows</b>									
Net cash from (used) operating	239,599	106,676	-	346,275	212,891	-	(133,384)	61	89
Net cash from (used) investing	(198,413)	(106,676)	-	(305,089)	(209,762)	-	95,327	69	106
Net cash from (used) financing	(6,807)	-	-	(6,807)	(2,548)	-	4,259	37	37
<b>Net (decrease) / Increase in cash and cash equivalents</b>	<b>34,379</b>	<b>-</b>	<b>-</b>	<b>34,379</b>	<b>582</b>	<b>-</b>	<b>(33,797)</b>	<b>2</b>	<b>2</b>
Cash and cash equivalents at the beginning of the year	295,970	-	-	295,970	366,975	-	71,005	124	124
<b>Cash and cash equivalents at the end of the year</b>	<b>330,349</b>	<b>-</b>	<b>-</b>	<b>330,349</b>	<b>367,556</b>	<b>-</b>	<b>37,207</b>	<b>111</b>	<b>111</b>

Refer to Annexure E 1

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Municipality  
2012

**36. Actual operating, capital and cash flow expenditure versus budgeted operating, capital and cash flow expenditure (continues)**

R thousands '000	Original Budget	Budget Adj	Virements	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
<b>Financial Performance</b>									
Property Rates	-	-	-	-	-	-	-	-	-
Service Charges	32,873	3,345	-	36,218	48,017	-	(11,799)	133	146
Investment Revenue	25,595	(1,002)	-	24,593	27,038	-	(2,445)	110	106
Transfers recognized - operational	349,907	40,396	-	390,303	349,642	-	40,661	90	100
Other own Revenue	70,378	69,382	-	139,760	8,737	-	131,023	6	12
<b>Total Revenue (excl cap transfers and contributions)</b>	<b>478,754</b>	<b>112,121</b>	<b>-</b>	<b>590,874</b>	<b>433,434</b>	<b>-</b>	<b>157,440</b>	<b>73</b>	<b>91</b>
Employee costs	113,772	1,636	4,652	120,060	88,085	-	(31,975)	73	77
Remuneration of Councilors	7,473	417	280	8,170	7,870	-	(300)	96	105
Debt Impairment	-	-	9,348	9,348	8,024	-	(1,324)	86	100
Depreciation & Asset Impairment	32,318	7,086	(2,455)	36,949	36,543	-	(406)	99	113
Finance Charges	14,180	-	(138)	14,042	11,901	-	(2,141)	85	84
Materials and bulk purchases	21,316	1,500	6,068	30,833	29,204	-	(1,629)	95	137
Transfers and grants	1,670	-	8,340	10,010	9,244	-	(766)	92	554
Other Expenditure	251,083	57,235	(26,096)	280,274	218,151	-	(62,123)	78	87
<b>Total Expenditure</b>	<b>441,811</b>	<b>67,875</b>	<b>-</b>	<b>509,686</b>	<b>409,022</b>	<b>-</b>	<b>(100,664)</b>	<b>80</b>	<b>93</b>
<b>Surplus / (Deficit)</b>	<b>36,942</b>	<b>44,246</b>	<b>-</b>	<b>81,188</b>	<b>24,412</b>	<b>-</b>	<b>56,776</b>		
Transfers recognized - capital	159,812	68,430	-	228,242	183,592	-	(44,650)	80	115
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus / (Deficit) after capital transfers and contributions</b>	<b>196,755</b>	<b>112,676</b>	<b>-</b>	<b>309,431</b>	<b>208,004</b>	<b>-</b>	<b>(101,427)</b>	<b>67</b>	<b>106</b>
<b>Surplus / (Deficit) for the year</b>	<b>196,755</b>	<b>112,676</b>	<b>-</b>	<b>309,431</b>	<b>208,004</b>	<b>-</b>	<b>(101,427)</b>	<b>67</b>	<b>106</b>
<b>Capital expenditure &amp; fund sources</b>									
<b>Capital Expenditure</b>									
Transfers recognized - capital	159,812	66,430	-	225,022	183,592	-	(41,430)		
Public contributions & donations	-	2,000	-	2,000	-	-	(2,000)		
Borrowing	-	19,392	-	19,392	-	-	(19,392)		
Internally generated funds	36,942	26,075	-	63,018	-	-	(63,018)		
<b>Total sources of capital funds</b>	<b>196,755</b>	<b>113,898</b>	<b>-</b>	<b>309,432</b>	<b>183,592</b>	<b>-</b>	<b>(125,840)</b>	<b>59</b>	<b>93</b>
<b>Cash Flows</b>									
Net cash from (used) operating	239,599	106,676	-	346,275	212,887	-	(133,388)	61	89
Net cash from (used) Investing	(198,413)	(106,676)	-	(305,089)	(209,249)	-	95,840	69	105
Net cash from (used) financing	(6,807)	-	-	(6,807)	(2,279)	-	4,528	33	33
<b>Net (decrease) / Increase in cash and cash equivalents</b>	<b>34,379</b>	<b>-</b>	<b>-</b>	<b>34,379</b>	<b>1,359</b>	<b>-</b>	<b>(33,020)</b>	<b>4</b>	<b>4</b>
Cash and cash equivalents at the beginning of the year	295,970	-	-	295,970	365,358	-	69,388	123	123
<b>Cash and cash equivalents at the end of the year</b>	<b>330,349</b>	<b>-</b>	<b>-</b>	<b>330,349</b>	<b>366,717</b>	<b>-</b>	<b>36,368</b>	<b>111</b>	<b>111</b>

Refer to Annexure E 1

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R
<b>37. Prior year adjustments</b>				
Accounting Practice and the aggregate effect of the prior year adjustments in the consolidated annual financial statements for the year ended 30 June 2012 is as follows -				
Property, Plant and Equipment and Stale Cheque reversals:				
<b>Accumulated Surplus as at the 1st of July 2010 as previously reported -</b>		803,235,002		803,235,002
<b>Adjustment:</b>				
Prior year adjustment - Assets				
Depreciation written back on fully depreciated assets still in use		9,904,467		9,904,467
Fair valuation of assets		228,680		228,680
		<u>813,368,149</u>		<u>813,368,149</u>
Reversal of stale cheque's - trade payables		(1,064,297)		(1,064,297)
Re-stated 2010/2011 surplus		93,647,869		93,647,869
Previously reported changes in accounting policy		(413,390)		(413,390)
		<u>905,538,331</u>		<u>905,538,331</u>
<b>Movement in Property, Plant and Equipment</b>				
Previously reported carrying value		877,933,451		877,933,451
Adjustment - Depreciation written back & Depreciation for 10/11		9,158,778		9,158,778
Re-stated carrying value		<u>887,092,229</u>		<u>887,092,229</u>
<b>Movement in Depreciation</b>				
Previously reported		39,086,453		39,086,453
Adjustment		974,375		974,375
Re-stated		<u>40,060,828</u>		<u>40,060,828</u>
<b>Movement in Net Surplus</b>				
Previously reported as at 30 June 2011		94,622,244		94,622,244
Adjustments to depreciation		(974,375)		(974,375)
Re-stated surplus		<u>93,647,869</u>		<u>93,647,869</u>
<b>38. Unauthorised, Fruitless, Wasteful and Irregular expenditure</b>				
Unauthorised expenditure - Waste management budget excess primarily as a result of provision for landfill rehabilitation	-	1,770,000	-	1,770,000
The unauthorised expenditure of R1 770 000 for 2010/2011 was approved by Council on the 20th of December 2011 per UDMC:268 and to the best of our knowledge no known incidences of these expenditures was incurred during the year under review.				
<b>39. Risk management</b>				
<b>Capital risk management</b>				
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns and benefits for all stakeholders, while delivering sustainable services and to maintain an optimal capital structure to reduce the cost of capital.				
The capital structure of the municipality consists of debt, which includes the long-term liabilities as disclosed in note 11, cash and cash equivalents disclosed in note 6, and equity as disclosed in the statement of financial position.				
<b>Gearing ratios</b>				
The gearing ratio as at 2012 and 2011 restated respectively were as follow;				
<b>Total borrowings</b>				
Long-term liabilities - refer to note 11	89,346,888	91,894,540	113,911,219	116,190,588
Less: Cash and cash equivalents - refer to note 6	367,556,324	366,974,767	366,716,903	365,358,441
Net debt	(278,209,436)	(275,080,227)	(252,805,684)	(249,167,853)
Total equity	1,113,464,590	905,730,891	1,113,267,634	905,538,331
Total capital	<u>835,255,154</u>	<u>630,650,664</u>	<u>860,461,950</u>	<u>656,370,478</u>
	10.70%	14.57%	13.24%	17.70%

**UTHUNGULU DISTRICT MUNICIPALITY**  
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	Group		Municipality	
	2012 R	2011 R	2012 R	2011 R

**39. Risk management (continues)**

**Financial risk management**

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's financial services function monitors and manages the financial risks relating to the operations of the municipality. These risks include credit risk and liquidity risk.

**Liquidity risk**

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Current Assets	421,738,647	404,142,200	420,899,226	402,525,874
Current Liabilities	213,204,752	218,831,313	218,796,589	223,734,839
Liquidity ratio	1.98 : 1	1.85 : 1	1.92 : 1	1.80 : 1

**Interest rate risk**

The municipality limits its exposure to interest rate fluctuations by only dealing with well-established financial institutions and opting for fixed interest rates rather than variable rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Debtors comprise of mainly water and sanitation users, dispersed across different industries and geographical areas. Ongoing evaluations are performed on the financial condition of these debtors and have been presented in these financial statements net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Councils Credit Control and Debt Collection Policy.

Financial assets exposed to credit risk at year end were as follows:

<b>Financial instrument</b>				
Investments	280,000,000	320,000,000	280,000,000	320,000,000
Cash and cash equivalents	87,556,324	46,974,767	86,716,903	45,358,441
Accounts receivable from exchange and non exchange transactions	48,025,385	30,065,764	48,025,385	30,065,764

**40. Going concern**

We draw attention to the fact that at 30 June 2012, the group and municipality had accumulated surplus of R 1 113 464 590 and R 1 113 267 634 respectively and that the group and municipality's total assets exceed its total liabilities by R 1 113 464 590 and R 1 113 267 634.

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business, dependant on the receiving of equitable share allocations.

**41. Events after reporting date**

At the date of submission of the consolidated annual financial statements management is not aware of any adjusting events after year end.

APPENDIX A  
GROUP  
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

	Redeemable Date	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand
<b>LONG-TERM LOANS</b>					
INCA @ 13.95%	12/31/2014	21,000,000	-	-	21,000,000
		21,000,000	-	-	21,000,000
<b>ANNUITY LOAN</b>					
INCA @ 11.95%	6/30/2023	27,423,161		1,108,642	26,314,519
ABSA @ 12.6%	6/30/2024	43,471,381		1,439,010	42,032,371
		70,894,542	-	2,547,652	68,346,890
<b>TOTAL EXTERNAL LOANS</b>					
LONG -TERM LOANS		21,000,000		-	21,000,000
ANNUITY LOAN		70,894,542	-	2,547,652	68,346,890
		91,894,542	-	2,547,652	89,346,890



**APPENDIX A  
MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

	Redeemable Date	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand
<b>LONG-TERM LOANS</b>					
INCA @ 13.95%	12/31/2014	21,000,000	-	-	21,000,000
		21,000,000	-	-	21,000,000
<b>ANNUITY LOAN</b>					
INCA @ 11.95%	6/30/2023	27,423,161		1,108,642	26,314,519
ABSA @ 12.6%	6/30/2024	43,471,381		1,439,010	42,032,371
		70,894,542	-	2,547,652	68,346,890
<b>LEASE LIABILITY</b>					
Leased Property @ 23.8%	3/31/2017	24,296,048	268,283		24,296,048
		24,296,048	268,283		24,296,048
<b>TOTAL EXTERNAL LOANS</b>					
LONG -TERM LOANS		21,000,000		-	21,000,000
ANNUITY LOAN		70,894,542	-	2,547,652	68,346,890
LEASE LIABILITY		24,296,048	268,283	-	24,296,048
		116,190,590	268,283	2,547,652	113,642,938

## GROUP AND MUNICIPALITY

## MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

UTHUNGULU

Cost/Revisions

Mutated Depreciation &amp; Impairment

Carrying

	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Opening Balance	Current	Disposals	Net Impairment adjustments	Closing Balance	Value
<b>Land</b>											
Developed Land	12,474,982.86	0.00	0.00	0.00	12,474,982.86	0.00	0.00	0.00	0.00	0.00	12,474,982.86
<b>Buildings</b>											
Buildings	52,173,615.66	0.00	975,882.14	0.00	53,149,497.80	(5,824,493.01)	(1,716,830.05)	0.00	0.00	(7,541,323.06)	45,608,174.74
<b>Infrastructure - In Construction</b>											
Water Mains and purification	302,466,889.40	(76,847,495.52)	156,954,815.95	0.00	422,574,209.83	0.00	0.00	0.00	0.00	0.00	422,574,209.83
<b>Infrastructure</b>											
Infrastructure buildings/ structures	32,320,464.63	12,536.71	0.00	0.00	32,333,001.34	(5,876,772.65)	(952,284.26)	0.00	(144,640.25)	(6,973,697.16)	25,359,304.18
Infrastructure plant & equipment	27,033,789.34	0.00	0.00	0.00	27,033,789.34	(10,199,643.12)	(1,697,270.94)	0.00	16,118.11	(11,880,795.95)	15,152,993.39
Infrastructure sewage services	32,633,316.38	143,521.46	50,233.00	0.00	32,827,070.84	(5,788,709.18)	(627,782.65)	0.00	404,048.91	(6,012,442.92)	26,814,627.92
Infrastructure solid waste services	60,495,831.21	0.00	0.00	0.00	60,495,831.21	(15,851,016.09)	(5,945,652.00)	0.00	0.00	(21,796,668.09)	38,699,163.12
Infrastructure water services	483,534,890.77	76,691,437.35	170,954.00	0.00	560,397,282.12	(98,528,665.13)	(21,460,870.94)	0.00	288,165.17	(119,701,370.90)	440,695,911.22
<b>Other assets in construction</b>											
Other assets in construction	636,018,292.33	76,847,495.52	221,187.00	0.00	713,052,974.85	(136,244,806.17)	(30,683,860.79)	0.00	563,691.94	(166,364,975.02)	546,721,999.83
	5,002,006.67	0.00	1,159,955.05	0.00	6,161,961.72	0.00	0.00	0.00	0.00	0.00	6,161,961.72
	<b>5,002,006.67</b>	<b>0.00</b>	<b>1,159,955.05</b>	<b>0.00</b>	<b>6,161,961.72</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>6,161,961.72</b>

<b>Other assets</b>											
Computer Equipment	6,963,377.93	0.00	1,182,850.47	(230,023.34)	7,916,205.06	(2,014,943.62)	(4,161,566.05)	139,407.48	(67,310.29)	(3,104,412.48)	4,811,792.58
Furniture	3,429,113.03	0.00	220,209.42	(34,670.44)	3,614,652.01	(1,148,912.55)	(343,321.84)	23,919.64	(1,537.69)	(1,474,852.44)	2,139,799.57
Motor Vehicles	9,208,050.52	0.00	788,427.31	(611,380.27)	9,385,097.56	(4,142,948.23)	(1,032,188.52)	200,345.80	0.00	(4,974,791.15)	4,410,306.41
Office Equipment	5,048,124.66	0.00	151,709.43	(121,234.28)	5,078,599.81	(1,529,876.29)	(823,743.66)	93,153.50	(83,188.85)	(2,349,855.30)	2,728,944.51
Plant and Equipment	4,057,777.05	0.00	114,474.78	(103,459.69)	4,068,792.15	(819,872.34)	(517,954.73)	50,118.76	(6,140.37)	(1,292,848.68)	2,775,943.47
<b>Total carried forward</b>	<b>28,706,443.19</b>	<b>0.00</b>	<b>2,457,671.41</b>	<b>(1,100,768.01)</b>	<b>30,063,346.59</b>	<b>(9,656,563.03)</b>	<b>(3,889,774.80)</b>	<b>506,944.98</b>	<b>(157,177.20)</b>	<b>(13,196,560.05)</b>	<b>16,866,788.54</b>
	1,036,842,230.11	0.00	201,769,511.55	(1,100,768.01)	1,237,510,973.65	(151,725,852.21)	(36,290,465.64)	506,944.98	406,514.74	(187,102,858.13)	1,050,408,115.52
<b>INTANGIBLE ASSETS</b>											
TOTAL	2,589,552.12	0.00	159,710.50	0.00	2,749,262.62	(613,702.23)	(658,878.00)	0.00	0.00	(1,272,580.23)	1,476,682.39
	1,039,431,782.23	0.00	201,929,222.05	(1,100,768.01)	1,240,260,236.27	(152,339,554.44)	(36,949,343.64)	506,944.98	406,514.74	(188,375,438.36)	1,051,884,797.91

**APPENDIX C  
GROUP AND MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012**

	Cost/Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Transfer - Capital projects released	Additions	Disposal	Closing Balance	Disposals	Net Impairment adjustments	
Executive & Council	11,598,556	0	963,137	(427,208)	12,134,486	88,357	(130)	10,290,996
Finance & Admin	111,275,325	0	3,272,413	(250,322)	114,297,416	157,523	(109,800)	98,512,489
Planning & Development	11,094,555	0	33,251	(18,355)	11,109,451	11,929	(20,514)	9,722,304
Community & Social Services	4,405,802	0	1,980	(95,183)	4,312,599	54,385	(2,163)	3,534,852
Public Safety	5,619,115	0	0	(219,049)	5,400,066	126,571	(7,731)	3,006,780
Waste Management	74,203,960	76,847,496	15,838	0	151,067,294	0	0	122,124,778
Water	814,336,382	(76,781,150)	197,388,926	(89,066)	934,855,091	67,090	546,853	799,623,071
Waste Water	4,308,536	(66,346)	93,966	(1,585)	4,334,571	1,090	0	3,590,846
	<b>1,036,842,230</b>	<b>(0)</b>	<b>201,769,512</b>	<b>(3,100,768)</b>	<b>1,237,510,974</b>	<b>506,945</b>	<b>406,515</b>	<b>1,050,408,116</b>

**INTANGIBLE ASSETS**

Finance & Admin	2,583,242	0	159,711	0	2,742,953	0	0	1,473,527
Planning & Development	6,310	0	0	0	6,310	0	0	3,156
	<b>2,589,552</b>	<b>0</b>	<b>159,711</b>	<b>0</b>	<b>2,749,263</b>	<b>0</b>	<b>0</b>	<b>1,476,682</b>



APPENDIX D

UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF  
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012  
MUNICIPALITY

	2011 Actual	2011 Surplus / (Deficit)	2012 Actual Income Year to date Rand	2012 Actual Expenditure Year to date Rand	2012 Surplus / (Deficit) Rand
	26,696,156	(26,696,156)		35,234,978	(35,234,978)
Executive & Council	40,957,127	260,217,996	420,639,169	44,960,009	375,679,160
Finance & Admin	8,664,553	(8,664,553)	-	8,880,561	(8,880,561)
Planning & Development	9,309,019	(8,992,910)	216,751	8,936,831	(8,720,080)
Community & Social Services	5,526,239	(5,526,239)	-	6,798,803	(6,798,803)
Public Safety	4,450,543	9,329,150	14,388,953	5,680,168	8,708,785
Environmental Protection	18,615,268	(11,376,187)	8,444,903	29,731,245	(21,286,342)
Waste Management	15,181,323	(11,668,297)	3,740,114	42,810,530	(39,070,416)
Waste Water	241,974,843	(102,974,935)	169,595,942	225,988,168	(56,392,226)
Water					
	371,375,071	93,647,869	617,025,832	409,021,294	208,004,539

APPENDIX E(1)  
GROUP

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012					
	2012 Actual Rand ('000)	2012 Budget Rand ('000)	2012 Variance Rand ('000)	2012 Variance %	Explanation of Significant Variance greater than 10% versus Budget
<b>Revenue</b>					
Service Charges	48,017	36,321	11,696	32%	Increase consumptions and new schemes metered.
Interest Earned - External Investments	26,998	24,366	2,632	11%	Managed investment portfolio aggressively to generate interest.
Interest Earned - Outstanding Debtors	40	227	(187)	-82%	Increased number of registered indigents wherein no interest is allocated.
Government Grants and Subsidies	533,234	562,000	(28,766)	-5%	
Other Income	2,830	194,203	(191,373)	-99%	The budget includes non-cash items.
Public contributions	-	2,000	(2,000)	-100%	The contribution for reticulation from the funder has not yet been received as dependant on the installation of bulk infrastructure currently in progress.
	<b>611,119</b>	<b>819,117</b>	<b>(205,998)</b>	<b>-25%</b>	
<b>Expenses</b>					
Executive & Council	35,235	40,207	4,972	12%	General savings and vacant positions.
Finance & Admin	39,022	56,916	17,894	31%	General savings and vacant positions.
Planning & Development	8,881	23,534	14,653	62%	Savings due to vacant positions and multi-year projects
Community & Social Services	8,937	10,351	1,414	14%	General savings and vacant positions.
Public Safety	6,799	7,551	752	10%	General savings and vacant positions.
Environmental Protection	5,680	14,354	8,674	60%	Devolution of environmental health services not yet finalised
Waste Management	29,731	31,526	1,795	6%	
Waste Water	42,811	43,988	1,177	3%	
Water	225,988	267,678	41,690	16%	General savings and vacant positions
	<b>403,084</b>	<b>496,105</b>	<b>93,021</b>	<b>19%</b>	

APPENDIX E(1)  
MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012					
	2012 Actual Rand ('000)	2012 Budget Rand ('000)	2012 Variance Rand ('000)	2012 Variance %	Explanation of Significant Variance greater than 10% versus Budget
<b>Revenue</b>					
Service Charges	48.017	36.321	11.696	32%	Increase consumptions and new schemes metered.
Interest Earned - External Investments	26.998	24.366	2.632	11%	Managed investment portfolio aggressively to generate interest.
Interest Earned - Outstanding Debtors	40	227	(187)	-82%	Increased number of registered indigents wherein no interest is allocated.
Government Grants and Subsidies	533.234	562.000	(28.766)	-5%	
Other Income	8.737	194.203	(185.466)	-96%	The budget includes non-cash items.
Public contributions	-	2.000	(2.000)	-100%	The contribution for reticulation from the funder has not yet been received as dependant on the installation of bulk infrastructure currently in progress.
	<b>617,026</b>	<b>819,117</b>	<b>(200,091)</b>	<b>-24%</b>	
<b>Expenses</b>					
Executive & Council	35.235	40.207	4.972	12%	General savings and vacant positions.
Finance & Admin	44.960	56.916	11.956	21%	General savings and vacant positions.
Planning & Development	8.881	23.534	14.653	62%	Savings due to vacant positions and multi-year projects
Community & Social Services	8.937	10.351	1.414	14%	General savings and vacant positions.
Public Safety	6.799	7.551	752	10%	General savings and vacant positions.
Environmental Protection	5.680	14.354	8.674	60%	Devolution of environmental health services not yet finalised
Waste Management	29.731	31.526	1.795	6%	
Waste Water	42.811	43.988	1.177	3%	
Water	225.988	267.678	41.690	16%	General savings and vacant positions
	<b>409,022</b>	<b>496,105</b>	<b>87,083</b>	<b>18%</b>	

APPENDIX E(2)  
GROUP AND MUNICIPALITY

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED  
30 JUNE 2012

	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 20% versus Budget
<b>Property, Plant &amp; Equipment</b>							
Executive & Council	963,137	-	963,137	1,060,000	96,863	9%	
Finance & Admin	2,112,458	-	2,112,458	4,400,154	2,287,696	52%	Recruitment in progress
Planning & Development	33,251	-	33,251	50,000	16,749	33%	Recruitment in progress
Community & Social Services	1,980	1,159,955	1,161,935	2,057,654	895,719	44%	work in progress
Public Safety	-	-	-	250,000	250,000	100%	In progress
Waste Management	80,713	-	80,713	10,745,585	10,664,872	99%	work in progress
Water	463,201	196,860,850	197,324,051	279,108,376	81,784,325	29%	work in progress
Waste Water	-	93,966	93,966	10,325,862	10,231,896	99%	work in progress
Environmental health	-	-	-	1,433,963	1,433,963	100%	Devolution of EHS not yet finalized
	<b>3,654,741</b>	<b>198,114,771</b>	<b>201,769,512</b>	<b>309,431,594</b>	<b>106,228,120</b>	<b>34%</b>	



APPENDIX F  
GROUP AND MUNICIPALITY  
UTHUNGULU DISTRICT MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 2003

Name of Grants & Vote	Name of organ of state or municipal entity	Sept '11	Dec '11	March '12	June '12	Sep '11	Dec '10	Mar '12	June '12
MSIG (Asset Care, Clean Audit, Ward Programme, Batho Pele)	COGTA	790,000		3,939,000	800,000	2,072,144	86,959	270,048	219,714 (681,756)
Maatification Program Grant	COGTA								
Shared Services - Fire Fighting	COGTA				800,000				
Municipal Governance	COGTA			4,778,000					
Water Reduction Strategy	COGTA								
Batho Pele Principles	COGTA								
Asset Care Centre	COGTA								
<b>Subtotal COGTA</b>		<b>790,000</b>	<b>-</b>	<b>8,717,000</b>	<b>800,000</b>	<b>2,072,144</b>	<b>86,959</b>	<b>270,048</b>	<b>(482,042)</b>
Review of Waste management plan	DEAT						11,538		20,477
<b>Sub Total DEAT</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,538</b>	<b>-</b>	<b>20,477</b>
Rural Transport Services & Infrastructure	DOT		1,688,000						409,924
<b>Subtotal DOT</b>		<b>-</b>	<b>1,688,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409,924</b>
Disaster Management (Centre)	DTLGA								89,841
Disaster Management Grant	DTLGA					99,000	(49,500)		-
Development Planning Shared Services	DTLGA								
MIP Grant	DTLGA					215,214	262,791	370,676	160,453
Corridor Development	DTLGA					63,031	2,000	27,850	81,455
Consolidate prior Grants (Planning 07/08)	DTLGA								
Technical Support Infra Backlog MIPs	DTLGA								
Construction of Transfer Stations (Mthoni)	DTLGA								
Planning - Uthungulu Regional Council	DTLGA						113,849	(1,653,000)	-
Regional Bulk Water Scheme	DTLGA								
Planning Shared Services (I & E)	DTLGA					1,326	(341)	(348)	2,300
Internal Fixed Assets	DTLGA								29,761
Municipal development Info Services (GIS)	DTLGA								(33,720)
Implementation of Fresh Produce	DTLGA								525,788
Integrated Waste Grant	DTLGA								
<b>Subtotal DTLGA</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378,571</b>	<b>328,799</b>	<b>232,878</b>	<b>960,643</b>
Issue Manager	DWAF					10,514	(10,514)		
Greater Mthonjaneni Retention	DWAF	7,154,700	18,692,000	9,590,900		3,973,071	18,311,425	9,087,737	3,089,819
Community Awareness	DWAF								
Sanitation DWAF	DWAF								91,134
<b>Subtotal DWAF</b>		<b>7,154,700</b>	<b>18,692,000</b>	<b>9,590,900</b>	<b>-</b>	<b>3,983,585</b>	<b>18,300,911</b>	<b>9,087,737</b>	<b>3,180,953</b>
MIG	MIG	56,930,000	43,047,000	60,966,000		23,787,093	23,422,763	29,285,285	115,582,175
<b>Sub total MIG</b>		<b>56,930,000</b>	<b>43,047,000</b>	<b>60,966,000</b>	<b>-</b>	<b>23,787,093</b>	<b>23,422,763</b>	<b>29,285,285</b>	<b>115,582,175</b>
Local Government Finance Grant	National Treasury	1,250,000				349,600	156,596	194,622	328,459
Finance Interns - Op Projects (Budget Cycle)	National Treasury								
Equitable Share	National Treasury	55,239,362	44,191,667	33,143,528		55,239,362	44,191,667	33,143,528	-
Levy Replacement	National Treasury	63,422,246	50,739,000	38,063,246		63,422,246	50,739,000	38,063,246	-
Environmental Health (ECS)	National Treasury	5,995,392	4,796,333	3,597,226		5,995,392	4,796,333	3,597,226	-
<b>Subtotal National Treasury</b>		<b>125,907,000</b>	<b>98,727,000</b>	<b>74,794,000</b>	<b>-</b>	<b>125,006,800</b>	<b>99,883,598</b>	<b>74,988,822</b>	<b>328,459</b>
KZN Treasury-Gaming Levies	Provincial Treasury					11,131	89,333		
Asset Data Collection	Provincial Treasury						229,631	242,370	-
Community Upliftments	Provincial Treasury					17,000	162,016	28,388	160,770
<b>Subtotal Provincial Treasury</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,131</b>	<b>480,980</b>	<b>270,758</b>	<b>160,770</b>
EPWP Incentive Grant	Public Works	1,761,200	1,687,000	(1,004,200)		22,211	20,452	66,273	1,036,796
<b>Sub total Public Works</b>		<b>1,761,200</b>	<b>1,687,000</b>	<b>(1,004,200)</b>	<b>-</b>	<b>22,211</b>	<b>20,452</b>	<b>66,273</b>	<b>1,036,796</b>
Water Meter Installation (RBM)	RBM					140,377	(140,377)		
<b>Sub total RBM</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,377</b>	<b>(140,377)</b>	<b>-</b>	<b>-</b>
<b>Subtotal</b>		<b>192,542,900</b>	<b>164,841,000</b>	<b>153,083,700</b>	<b>800,000</b>	<b>155,418,712</b>	<b>142,396,621</b>	<b>114,201,601</b>	<b>121,218,156</b>